

Enhanced deduction for eligible construction expenditure

Part 04-06-27

This document should be read in conjunction with section 81E of the Taxes Consolidation Act, 1997

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1 Introduction

The enhanced deduction for eligible construction expenditure (hereafter referred to as “enhanced deduction”) was introduced by section 42 of Finance Act 2025, which inserted section 81E into the Taxes Consolidation Act 1997 (TCA 1997). The purpose of this Tax and Duty Manual (TDM) is to provide an overview of the enhanced deduction.

1.1 Overview of the enhanced deduction

Section 81E TCA 1997 provides for an enhanced deduction to companies in the calculation of certain trading profits for eligible expenditure incurred in the construction of a completed development. Broadly, a completed development is a qualifying apartment block that satisfies a number of conditions (see [section 2](#)). A qualifying apartment block is a multi-storey building comprising of at least 10 apartments and is either:

- a newly constructed building, or
- a building or structure that, as part of a qualifying refurbishment, has undergone a material change to that building or structure.

Subject to satisfying the conditions, a company, which must be a relevant person (see [section 3](#)), may claim the enhanced deduction. A relevant person is a company that is either a property developer (see [3.1](#)) or a relevant contractor (see [3.3](#)).

The enhanced deduction equals 25% of the eligible expenditure (see [section 4](#)) incurred in respect of the completed development (being a deduction in addition to the normal deduction for costs incurred wholly and exclusively for the purposes of a trade). This is subject to a cap of €50,000 per apartment (see [section 5](#)), pro-rated for the percentage of ownership in the completed development beneficially owned, or deemed to be beneficially owned by the relevant person (see [3.4](#)).

The relevant person must, in the course of a relevant property development trade, or a qualifying trade, develop a completed development. The relevant person may then avail of the enhanced deduction in computing the profits of:

- a relevant property development trade, in the case where the relevant person is a property developer, or
- a qualifying trade, in the case where the relevant person is a relevant contractor.

2 Completed Development

The enhanced deduction is available for eligible expenditure incurred in respect of a completed development.

A completed development is a qualifying apartment block (see [2.1](#)) in respect of which:

- planning permission has been granted which includes permission for at least 10 new apartments in the qualifying apartment block,
- a relevant commencement notice is lodged with the relevant local authority between 8 October 2025 and 31 December 2030, and
- on or before the expiry of the planning permission—
 - all works required to ensure that all apartments in the qualifying apartment block are suitable for occupation as a dwelling have been completed, and
 - a relevant certificate of compliance on completion of the development is lodged with the relevant local authority.

A ‘relevant commencement notice’ means a commencement notice¹ lodged with the relevant local authority for works carried out on the completed development or, where there is more than one, the first such notice.

A ‘relevant certificate of compliance on completion’ means a certificate of compliance on completion² lodged with the relevant local authority on completion of works on the completed development or, where there is more than one, the last such certificate.

The ‘relevant local authority’ is the local authority in whose functional area the completed development is situated.

2.1 Qualifying apartment block

A qualifying apartment block is a building which is:

- (a) multi-storey, and
- (b) principally comprised of at least 10 apartments,

and is either

- newly constructed, or

¹ ‘Commencement notice’ and ‘certificate of compliance on completion’ have the same meaning as in section 653A(1) TCA 1997.

² Ibid

- in the case where the building is not newly constructed, it is the subject of a material change which results in the building satisfying both (a) and (b) above.

The qualifying apartment block includes an ancillary garden or grounds for use by the building's occupants.

Example 2.1

A multi-storey apartment building contains 25 apartments along with a retail unit, gym and a creche. A mixed-use building which includes non-residential or commercial units may still be a qualifying apartment block once it is principally comprised of at least 10 apartments. This requirement may not be met where the apartments are secondary to the main commercial or other non-residential use of the building.

2.2 Material change

A material change occurs when a building or structure (or part thereof),

- although not originally constructed for use as a dwelling, or
- although originally constructed as a dwelling, was not suitable for use as such or had been put to other uses,

undergoes a qualifying refurbishment and as a result becomes suitable for use as a dwelling.

A 'qualifying refurbishment' means any work of construction, reconstruction, restoration, repair or renewal, including the provision or improvement of water, sewerage or heating facilities, carried out on a building or structure.

Example 2.2

A multi-storey apartment building had fallen into disrepair and the apartments were no longer habitable. A refurbishment was carried out which involved work of reconstruction, restoration, and repair. This refurbishment resulted in the building being suitable for use as a dwelling and principally comprising of at least 10 apartments. This constitutes a material change and the building is a qualifying apartment block for the purposes of the enhanced deduction.

2.3 Meaning of 'apartment'

An 'apartment' means a separate and self-contained dwelling in a qualifying apartment block. The dwelling must have sleeping, bathroom and cooking facilities within it for the exclusive use of the occupant or occupants. In addition, other than where the apartment is on the ground floor of the apartment block, access to the apartment must be grouped or in common with the other apartments in the building.

Example 2.3

A property developer decides to build a block of student accommodation. On each floor there are five bedrooms, each bedroom having its own bathroom facilities. The occupants of these bedrooms must share a kitchen also located on that floor. In this case, each bedroom is not considered to be an apartment as the bedroom is not a self-contained dwelling with its own sleeping, bathroom and cooking facilities.

3 Relevant person

For a company to make a claim for an enhanced deduction, the company must be a “relevant person”. There are two categories of persons who may be considered a relevant person. These are:

- A property developer, and
- A relevant contractor.

3.1 Property developer

A property developer is a company carrying on a relevant property development trade. This is a trade carried out by the property developer, which—

- (a) is not an excepted trade³, and
- (b) consists wholly or mainly of the construction or refurbishment of buildings or structures with a view to their sale.

Therefore, the enhanced deduction is available to developers who are carrying on a trade of construction activities or disposing of fully developed land, the profits of which are subject to tax at 12.5%.

To be considered a relevant person, the property developer must—

- in the course of a relevant property development trade, develop a completed development, and
- beneficially own the completed development on the relevant date (i.e. the date the relevant certificate of compliance on completion in respect of the development is lodged with the relevant local authority).

3.2 Relevant beneficial owner

Where the beneficial owner of a completed development on the relevant date does not meet the conditions to claim the enhanced deduction and hence is not a relevant person in respect of that development, that beneficial owner (referred to as a “relevant beneficial owner”) may make a relevant declaration to a relevant contractor. See [3.4](#) for further information on the relevant declaration.

³ See section 6 of TDM [Part 02-02-02 - The charge to and rates of Corporation Tax](#) for the meaning of ‘excepted trade’.

Example 3.2

Approved Housing Body A (“AHB A”) undertook a forward-fund arrangement for the development of two completed developments. Each completed development is comprised of a qualifying apartment block of 100 apartments. Company Z developed the completed developments on behalf of AHB A.

On the relevant date, while AHB A is the beneficial owner of the completed developments, AHB A cannot avail of the enhanced deduction. This is on the basis that AHB A is not carrying on a relevant property development trade and therefore is not a relevant person.

3.3 Relevant contractor

A relevant contractor is a company that develops the completed development under the terms of a contract entered into with the beneficial owner, or where there is more than one beneficial owner, the beneficial owners, of that completed development.

To be considered a relevant person, the relevant contractor must—

- in the course of a qualifying trade, develop a completed development, and
- have a relevant declaration that has been made by each relevant beneficial owner of the completed development.

A qualifying trade is a trade carried out by the relevant contractor, which—

- (a) is not an excepted trade, and
- (b) consists wholly or mainly of the construction or refurbishment of buildings or structures.

The requirements that must be satisfied in order for a trade to be considered a qualifying trade are similar to those of a relevant property development trade with one exception. This exception is that there is no requirement for a relevant contractor to carry out the trade of constructing or refurbishing buildings or structures with a view to their sale, as the sale of the completed development will be undertaken by the relevant beneficial owner(s) and not the relevant contractor.

3.4 Relevant declaration

Where a relevant beneficial owner of a completed development makes a relevant declaration to a relevant contractor, the relevant contractor will be deemed to be the beneficial owner of the percentage of the completed development beneficially owned by the relevant beneficial owner on the date that the relevant certificate of compliance on completion in respect of the development is lodged with the relevant local authority. This is the case solely for the purposes of the entitlement to the enhanced deduction.

A relevant declaration can only be made to one relevant contractor in respect of a completed development. Where a relevant declaration is made to more than one relevant contractor in respect of the same completed development, all such declarations will be considered invalid.

The relevant declaration may allow entitlement to claim the enhanced deduction to transfer to the relevant contractor that developed the completed development, where the necessary conditions are satisfied.

Information to be included in the relevant declaration

The relevant declaration must be made by a relevant beneficial owner of a completed development (known as “the declarer”). The Declaration must:

- be in writing to a relevant contractor,
- be signed by the declarer,
- be made in such form as may be prescribed or authorised by Revenue (a template declaration form will be made available on Revenue’s website),
- declare-
 - that on the relevant date, the declarer is a relevant beneficial owner of the completed development and the percentage of the completed development that is beneficially owned by the declarer,
 - that the relevant contractor developed the completed development pursuant to a contract entered into by the declarer and the relevant contractor,
 - that the declarer is not a relevant person,
- and
- contains-
 - the name, address and tax reference number of the declarer and the relevant contractor,
 - the address of the completed development and the number of apartments in the completed development, and
 - such other information as may reasonably be required by Revenue for the purpose of the measure.

The relevant contractor will need to retain the relevant declaration for a period of 6 years from the end of the accounting period in which a return has been delivered making a claim for the enhanced deduction in respect of the completed development.

The relevant contractor may be required to provide a copy of the relevant declaration to Revenue if requested to do so.

Example 3.4 (continued from Example 3.2)

AHB A makes a Declaration to Company Z in respect of both completed developments. Company Z is a relevant contractor as it is a company that developed the completed developments in the course of a qualifying trade, and it has relevant declarations made by AHB A (as the relevant beneficial owner of the completed developments).

The Declarations from AHB A to Company Z enables Company Z to make a claim for the enhanced deduction in respect of the completed developments. As AHB A is the sole beneficial owner of the completed developments, Company Z will be deemed to beneficially own 100% of each completed development on the relevant date.

3.4.1 More than one beneficial owner

Where there is more than one relevant beneficial owner in respect of a completed development, each beneficial owner may make a relevant declaration to allow a relevant contractor to make a claim for the enhanced deduction. All such relevant declarations must be in respect of the same relevant contractor. This is a necessary condition in order that the relevant contractor be deemed to own the relevant beneficial owners' share of the completed development for the purposes of the enhanced deduction.

A development may be undertaken by more than one beneficial owner, for example via a joint venture, where one beneficial owner is entitled to claim the enhanced deduction and the other is not. In that scenario, there may be a beneficial owner and a contractor who can both claim an enhanced deduction in respect of the same completed development. The cap of €50,000 per apartment (see [section 5](#)) is apportioned between them based on their respective ownership or deemed ownership of the completed development.

4 Eligible expenditure

The enhanced deduction is available in respect of expenditure which falls within the definition of "eligible expenditure". Eligible expenditure means expenditure incurred by a relevant person in connection with construction operations carried out in respect of a completed development up to the relevant date.

Construction operations mean operations of any of the descriptions referred to in the definition of "construction operations" in section 530(1) TCA 1997, other than operations referred to in paragraph (f) of that definition. Such expenditure includes:

- construction, alteration, repair, extension, demolition or dismantling of buildings or structures,
or
- the reconstruction or renewal work associated with the conversion of non-residential buildings or structures into apartments.

The enhanced deduction is not available in respect of any capital expenditure, e.g. the purchase of plant or machinery, used in the construction of the completed development. The following types of expenditure are also excluded:

- financing costs,
- insurance costs,
- professional and legal fees,
- sales and marketing costs,
- taxes, duties, levies or charges under the care and management of Revenue,
- the acquisition of, or rights in or over, any land,
- levies, fees, charges or contributions in respect of the completed development, however described in the relevant enactment, including any:
 - development contributions,
 - utility connection charges,
 - environmental levies,
 - planning application fees,
 - building control fees, or
 - building energy rating fees.

4.1 Exclusion of certain expenditure from the meaning of “eligible expenditure”

Certain expenditure incurred by a relevant person in respect of a completed development, that may otherwise fall within the meaning of ‘eligible expenditure’, will not be taken into account for the purpose of calculating the enhanced deduction. The enhanced deduction will not be available in respect of:

- expenditure which has been or is to be met directly or indirectly by grant assistance or any other assistance which is granted by or through the State, any board established by statute, any public or local authority or any other agency of the State,
- expenditure between parties that exceeds an arm’s length amount,
- expenditure that is incurred as part of a scheme or arrangement where it is reasonable to consider that the main purpose, or one of the main purposes, is the avoidance of, or reduction in, liability to tax.

4.2 Apportioning expenditure associated with multiple developments

Where expenditure incurred by a claimant company relates to construction operations in respect of both a completed development and a development that is not a completed development, then for the purpose of claiming the enhanced deduction in respect of the completed development, the expenditure must be apportioned by the claimant on a just and reasonable basis.

4.3 Clawback of the enhanced deduction where eligible expenditure that was incurred is written off

A clawback provision applies where a relevant person has claimed an enhanced deduction in respect of eligible expenditure and the expenditure was incurred as a debt by the relevant person and that debt is subsequently released.

Where a debt is incurred in relation to eligible expenditure, but the debt is subsequently released, then the portion of the enhanced deduction that was based on the amount so released will be treated as a taxable trading receipt for the claimant company in the period the release takes place.

5 Calculation of the enhanced deduction

There is a two-step process to calculate the enhanced deduction.

1. Calculate the enhanced deduction under subsection (5) of section 81E TCA 1997

The amount of the enhanced deduction in respect of a completed development is equal to an amount determined by the formula -

$$A \times 25\%$$

where-

- A is the amount of eligible expenditure incurred by the relevant person in respect of the completed development in respect of which the relevant person is entitled to a deduction in the computation of the amount of the profits or gains of a relevant development property trade or a qualifying trade, as the case may be, to be charged to corporation tax under Schedule D Case I for an accounting period.

This calculation considers the aggregate eligible expenditure incurred by the relevant person on the completed development up to the relevant date, and in respect of which the person is entitled to a corporation tax deduction when computing the taxable trading profits or gains of a relevant development property trade or a qualifying trade.

2. Verify that the amount determined under subsection (5) of section 81E TCA 1997 does not exceed the limit as determined under subsection (6) of section 81E TCA 1997

The amount of the enhanced deduction, as calculated in accordance with subsection (5) of section 81E TCA 1997, is subject to a limit. Subsection (6) provides that the limit is determined by the formula -

$$B \times C \times D$$

where-

- B is the number of apartments in the completed development,
- C is €50,000, and
- D is the percentage of the completed development that is beneficially owned by the relevant person, or in the case of a relevant person who is a relevant contractor, is deemed to be beneficially owned by the relevant person, as at the date that the relevant certificate of compliance on completion in respect of the completed development is lodged with the local authority in whose functional area the development concerned is situated.

Example 5.1 p

Company M is a property developer carrying on a relevant property development trade. Company M had a 12-month accounting period from 1 January 2025 to 31

December 2025 and a nine-month accounting period from 1 January 2026 to 30 September 2026. Up to 1 September 2026, Company M incurs eligible expenditure of €500,000 on the construction of a completed development (apartment block 1), which is comprised of a qualifying apartment block containing 10 apartments and eligible expenditure of €1,500,000 on the construction of a second completed development (apartment block 2), which is comprised of a qualifying apartment block also containing 10 apartments. The relevant certificate of compliance on completion for both apartment blocks is lodged with the relevant local authority on 1 September 2026. Company M is the beneficial owner of 50% of the completed developments at the relevant date. Company M can make a claim for an enhanced deduction in the accounting period ended 30 September 2026, being the relevant accounting period (see [section 6](#)).

The enhanced deduction for **apartment block 1** is calculated as follows:

1. Calculate the enhanced deduction under subsection (5) of section 81E TCA 1997 = $\text{€500,000} \times 25\% = \text{€125,000}$
2. Verify that the amount determined under subsection (5) of section 81E TCA 1997 does not exceed the limit as determined under subsection (6) of section 81E TCA 1997 = the limit is calculated as $10 \times \text{€50,000} \times 50\% = \text{€250,000}$

The amount calculated under step (2) is greater than the amount calculated under step (1). The enhanced deduction is €125,000.

The enhanced deduction for **apartment block 2** is calculated as follows:

1. Calculate the enhanced deduction under subsection (5) of section 81E TCA 1997 = $\text{€1,500,000} \times 25\% = \text{€375,000}$
2. Verify that the amount determined under subsection (5) of section 81E TCA 1997 does not exceed the limit as determined under subsection (6) of section 81E TCA 1997 = the limit is calculated as $10 \times \text{€50,000} \times 50\% = \text{€250,000}$

The amount calculated under step (2) is less than the amount calculated under step (1). The enhanced deduction is €250,000.

Company M can claim an enhanced deduction of €375,000 in total. Where Company M's taxable trading profits are less than €375,000 for the period ending on 30 September 2026, the enhanced deduction may result in a loss which can be relieved under the normal trading loss rules.

6 Claiming the enhanced deduction

A relevant person is entitled, on the making of a claim, to the enhanced deduction in the computation of the amount of the profits or gains of that trade for the relevant accounting period. The “relevant accounting period” is defined as the accounting period in which the relevant certificate of compliance on completion in respect of a completed development is lodged with the relevant local authority.

A claimant company will be required to make a claim for the enhanced deduction on its corporation tax return within 12 months of the end of the accounting period to which the claim relates. A company may claim the enhanced deduction through the filing of the corporation tax return for that period.

When doing so, the company will be required to provide:

- details of the eligible expenditure incurred in respect of the completed development,
- the number of apartments in the completed development, and
- such other information as the Revenue Commissioners may reasonably require.

6.1 Accounting period greater than 12 months

Where the accounting period in which the relevant certificate of compliance on completion in respect of a completed development is lodged with the relevant local authority is longer than 12 months, section 27 TCA 1997 must be considered⁴.

The claim for the enhanced deduction should be made in the relevant accounting period, i.e. the accounting period which includes the date that the relevant certificate of compliance on completion in respect of the completed development is lodged with the relevant local authority.

⁴ Section 27 TCA 1997 contains the rules for determining when an accounting period begins and ends for the purposes of corporation tax. Section 27(3)(a) TCA 1997 provides an accounting period shall end on the expiration of 12 months from the beginning of the accounting period. Subsequent to this period, a new accounting period begins.