The tax treatment of rental income (Case V)

Part 04-08-01

This TDM should be read in conjunction with Part 4, Chapter 8 of the Taxes Consolidated Act 1997

Document last updated May 2024

1. Introduction

This manual outlines the tax treatment of rental income from Irish property. Rental income from Irish property is taxed under Schedule D, Case V in accordance with Part 4, Chapter 8 of the Taxes Consolidated Act 1997 (TCA). It also deals with the computational rules set out in section 97(1) TCA for computing rental profits or gains chargeable under Case V of Schedule D.

2. Rental income on Irish property

The definition of "rent" in section 96(1) TCA provides that rental income includes -

> "(a) any rent charge, fee, farm rent and any payment in the nature of rent, notwithstanding that the payment may relate partly to premises and partly to goods or services, and
>
> (b) any payment made by the lessee to defray the cost of work of maintenance of or repairs to the premises, not being work required by the lease to be carried out by the lessee.".

Rental income includes:

- payments for renting out of a house, flat, apartment, dwelling, office or farmland;
- payments or allowing advertising signs or communication transmitters to be put up on property;
- payments for allowing a right of way through property;
- payments for allowing sporting rights such as fishing or shooting rights on property;
- payments received from a tenant to cover the cost of work to rental property (the tenant must not be required to pay for this work per the lease);
- certain lease premiums, as well as deemed and reverse premiums;
- payments for conacre lettings;
- payments received from insurance policies that cover against the non-payment of rent.

3. Income from providing short term leasing

Income for providing short term accommodation for occasional visitors, such as through an online accommodation booking system, is not considered rental income under Case V and is taxable as "other income" under Case IV if it is occasional income or is taxable as "trading income" under Case I if operated as a trade such as a guesthouse.

4. Rental income computations: separate computation per property

Section 97(1) TCA sets out the rules for computing rental profits or gains chargeable under Case V of Schedule D.

The section provides that -

(1) "rent" is the gross amount before any deduction for income tax, and

(2) the amount of rental profits or gains is the aggregate of the "surpluses" computed in accordance with section 97(1)(c) TCA reduced by the aggregate "deficiencies" computed in accordance with section 97(1)(c) TCA in respect of **each** rent or easement.

To arrive at a surplus or deficiency the deductions permitted by section 97(2) TCA are subtracted from each rent received. If the receipts exceed the deductions there is a surplus; if deductions exceed the receipts there is a deficiency.

A computation of the surplus/deficiency is required for each letting and for the total receipts from easements as provided for by section 97(1)(c) TCA.

'Rent pooling' – that is, the adding together of rent and expenses from various lettings to arrive at an overall surplus/deficiency - is not permitted. Separate computations are required to identify 'uneconomic lettings' within the meaning of section 75(4) TCA.

There is no requirement to submit a rental computation with the Income Tax Return and Self-Assessment (Form 11) or Income Tax Return (Form 12), as appropriate. However, a separate rental computation in respect of each property must be retained for six years as it may be requested in the event of a compliance intervention.