

## **Accelerated allowances for the provision of childcare services or fitness centre facilities**

### **Part 09-01-11**

This document should be read in conjunction with sections 285B and 843B of the Taxes Consolidation Act 1997

Document last reviewed January 2023

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## Introduction

Finance Act 2018 introduced a new incentive for the provision of childcare services or fitness centre facilities to employees. The incentive makes accelerated allowances available for capital expenditure incurred by employers, on or after 1 January 2019, on the construction of such facilities and on childcare and fitness centre equipment. The scheme of accelerated allowances is provided for under sections 285B and 843B of the Taxes Consolidation Act (TCA) 1997. An accelerated wear and tear allowance of 100% of the capital expenditure incurred on childcare and fitness centre equipment can be claimed for the year in which the equipment is first used in the business. An accelerated industrial buildings annual allowance (IBAA) of 15% over 6 years and 10% in year 7 can be claimed for capital expenditure incurred on the construction of a childcare services or fitness centre facility. Certain conditions apply which are outlined below.

### 1. Accelerated allowances for the construction of childcare and fitness centre facilities

#### 1.1. Capital allowances

Capital allowances in the form of industrial buildings annual allowances (IBAAs) will be available for [qualifying expenditure](#) incurred on a [qualifying premises](#). The qualifying premises is treated as an industrial building and the provisions of [Chapter 1 of Part 9](#) TCA 1997 apply.

IBAAs are generally given over a twenty-five-year period at an annual rate of 4% of the capital expenditure incurred. In the case of a qualifying premises this rate is accelerated and the allowance can be claimed at a rate of 15% over 6 years and 10% in year 7.

No balancing allowance (additional allowance) or balancing charge (claw-back of some or all of the allowances granted) will arise in relation to a 'balancing' event occurring more than 7 years after the first use of the building or structure following construction. A 'balancing' event is one of the events listed in section 274 TCA 1997 and includes the sale of the building.

#### 1.2. Qualifying premises

A qualifying premises is a building or structure used for the provision of childcare services or fitness centre facilities to employees of a business. The facility must be for the exclusive use of the employees i.e. it cannot be made available for use by the general public. However, where the employer is a company, employees of a connected company can also avail of the facilities. In the case of a childcare services facility the relevant requirements of the Childcare Act 1991 (Early Years Services) Regulations ([S.I. No. 221 of 2016](#)) must be met.

### 1.3. Qualifying expenditure

Qualifying expenditure is capital expenditure incurred on or after 1 January 2019, by an employer carrying on a trade or profession, on the construction of a [qualifying premises](#). Construction has the same meaning as it has in section 270 TCA 1997 and includes refurbishment.

## 2. Accelerated allowances for childcare and fitness centre equipment

### 2.1. Capital allowances

Capital allowances in the form of wear and tear allowances will be available where the provisions of section 284 of the TCA, 1997 are met as follows:

- A person carrying on a trade must incur capital expenditure on the provision of machinery or plant for the purposes of that trade;
- The machinery or plant must belong to that person;
- The machinery or plant must be in use at the end of the chargeable period for which the allowances are claimed;
- While the machinery or plant is used for the purposes of the trade, it must be wholly and exclusively so used.

Wear and tear allowances for machinery or plant are generally given over an eight-year period at an annual rate of 12.5% of the capital expenditure incurred. In the case of [qualifying expenditure](#) incurred on childcare and fitness centre equipment this rate is accelerated to 100%. The equipment must be in use in a [qualifying premises](#) for the accelerated allowance to apply. The entire allowance can be claimed in the first year in which the equipment is provided and used in the qualifying premises.

The normal rules regarding balancing charges in section 288 TCA 1997 apply. Where certain 'balancing' events occur, for example, the sale of the equipment or its ceasing to be used for the purposes of the trade, there may be a claw-back of the allowances already granted having regard to the proceeds or value of the equipment (or deemed proceeds/value) at the time of the event.

### 2.2. Qualifying expenditure

Qualifying expenditure is capital expenditure incurred on or after 1 January 2019, by an employer carrying on a trade or profession, on the provision of qualifying machinery or plant. Qualifying machinery or plant means equipment in use in a [qualifying premises](#).

### 3. Who can qualify for the incentive?

The accelerated allowances are available to an employer carrying on a trade or profession who incurs qualifying expenditure on the provision of childcare or fitness centre equipment or on the construction or refurbishment of a qualifying premises.

Where the claimant is an individual it should be noted that the accelerated capital allowances available for the construction of a qualifying premises (section 843B) are among the reliefs subject to [High Income Individuals' Restriction](#). However, the [property relief surcharge](#) does not apply.

### 4. How relief is claimed

There is no requirement to obtain approval for expenditure on the equipment or on the construction of the facilities. The normal self-assessment provisions apply. The allowance(s) can be claimed for the chargeable period(s) in which the required conditions are met. The allowance(s) should be claimed on the employer's return of income (Form CT1 or Form 11). Separate lines are available on both the Form CT1 and Form 11 for 2019 onwards for claims made under sections 285B and 843B.