Living City Initiative

Commercial, Rented Residential and Living Over the Shop elements of the Relief

Part 10-13-01b

This document should be read in conjunction with sections 372AAA to 372AAE of the Taxes Consolidation Act 1997

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1 Introduction

The Living City Initiative is a scheme of property tax incentives provided for in Chapter 13 of Part 10 of the Taxes Consolidation Act (TCA) 1997. There are four types of relief available under the scheme:

- owner occupier residential relief,
- rented residential (landlord) relief,
- commercial relief,
- living over the shop relief.

The purpose of this Tax and Duty Manual (TDM) is to provide an overview of the rented residential, commercial and living over the shop elements of the relief.

The Owner-Occupier Residential Relief provides income tax relief for costs incurred in refurbishing or converting a property within designated Special Regeneration Areas (SRA) to be used as a primary residence. TDM 10-13-01a provides detailed guidance in relation to the owner occupier residential element of the relief.

2 Overview

The non-owner occupier elements of the Living City Initiative are property tax incentives which provide for the write-off of qualifying expenditure by way of accelerated capital allowances. The non-owner occupier elements of the incentive include:

- the rented residential (landlord) relief which allows landlords to claim accelerated capital allowances for the refurbishment or conversion of certain older buildings,
- the commercial relief which allows accelerated capital allowances for refurbishing or converting certain commercial properties (retail/services), and
- the living over the shop relief which allows landlords to claim accelerated allowances on the conversion of rateable properties, or part of those properties, into residential units.

A summary of the criteria that must be met in respect of each of these elements of relief is set out in section 11.

Qualifying expenditure incurred on or after 1 January 2026 on the conversion or refurbishment of qualifying premises in the qualifying period is to be written off at the rate of 50% per annum for two years. Qualifying expenditure incurred prior to 1 January 2026 is written off at the rate of 15% per annum for the first six years with the remaining 10% available in year seven.

This scheme is aimed at the regeneration of certain areas. The designated areas are in Cork, Dublin, Galway, Kilkenny, Limerick and Waterford, and from 8 April 2026, also include areas in the following towns: Athlone, Drogheda, Dundalk, Letterkenny, and Sligo. The areas (known as “special regeneration areas” (SRAs)) have been

designated for the purposes of the scheme by Order of the Minister for Finance. Expenditure on a property located outside a SRA cannot qualify for tax relief. It is the responsibility of the applicant to determine whether their property is within a SRA.

The rented residential, commercial and living over the shop elements of the Living City Initiative may be available to a person, being an individual, company or other body of persons.

Both the residential elements of the Living City Initiative, being the rented residential and owner occupier elements, are restricted to premises built pre-1975 in the SRA (Finance Act 2025 amended the building age requirement from pre-1915 to pre 1975). The commercial and living over the shop elements of the relief are not so restricted, they can apply in respect of a premises regardless of when it was built.

Finance Act 2025 introduced the new Living over the Shop element to the scheme, which applies from 1 January 2026. The Living over the Shop element of the scheme provides relief for the conversion or refurbishment of rateable premises such as commercial and industrial properties (see 3.6) into residential units, subject to the premises being in a SRA and certain other conditions being met.

A person who wishes to avail of the rented residential and living over the shop elements of the relief should apply to the local authority for a Letter of Certification before starting the works.

The rented residential and living over the shop elements of the relief are available where, following the incurring of qualifying expenditure on conversion or refurbishment, the residential properties are let on bona fide commercial terms. The commercial element of the relief is available where following the incurring of qualifying expenditure on the conversion or refurbishment, the premises is utilised for retail purposes or for the provision of services within the State, or the premises is let on bona fide commercial terms for such use.

The legislation governing the rented residential, commercial and living over the shop elements of the scheme provide for a maximum level of tax relief that is permissible under the de minimis Regulation[1]. Under the de minimis Regulation, the maximum amount of de minimis aid that may be granted to a single undertaking over any period of 3 years is €300,000. For the purposes of the €300,000 limit, all de minimis aid, including grants, received over the 3-year period must be aggregated. Prior to 1 January 2026, a limit of €200,000 per project also applied. However, the project limit was removed in Finance Act 2025.

Finance Act 2025 provided that with effect from 1 January 2026 only the sum of the grant received, or receivable is to be deducted from the qualifying expenditure of the rented residential, commercial and living over the shop elements of the scheme. Prior to this amendment three times the amount of grant aid received or receivable was deductible from qualifying expenditure for the purposes of the rented residential and commercial elements of the scheme.

[1] Commission Regulation (EU) 2023/2831 of 13 December 2023 [OJ L2023/2831, 15.12.2023] on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid.

The restriction on property developers and their connected parties claiming relief in certain circumstances was also removed.

Expenditure incurred pre-1 January 2026 was subject to several additional restrictions, details of which are set out in Appendix 2.

3 Qualifying Premises

3.1 Overview

The Living City Initiative is targeted at specific properties in specified locations. There are a number of conditions that a property must meet in order for the relief to be claimed.

The property must be located within a "special regeneration area" and must meet all the relevant statutory consents and planning requirements.

The relief will only be available in respect of the rented residential and living over the shop elements of the relief where a "Letter of Certification" has been issued by the local authority in respect of the works carried out on the property.

In respect of the rented residential element of the relief, with effect from 1 January 2026, the property must have been built before 1975 (for expenditure incurred prior to 1 January 2026 the property must have been built before 1915). For the commercial and living over the shop elements of the relief, a building age requirement does not apply.

The rented residential element of the relief requires that the property is let on bona fide commercial terms.

The commercial element of the relief is available in respect of a qualifying premises, which is—

- a building or structure or part thereof which is not otherwise an industrial building or structure within the meaning of section 268 TCA 1997, and
- in use for the purposes of the retailing of goods or the provision, only within the State, of services, or let on bona fide commercial terms for such use.

The Living over the shop element of the relief is available in respect of a qualifying premises, which —

- is a building or structure, or part of a building the entirety of which, before the qualifying expenditure was incurred, was a relevant property liable to rates, and
- following its conversion or refurbishment into residential units, those units are let on bona fide commercial terms.

3.2 Special Regeneration Areas

The Living City Initiative is a scheme of property tax incentives aimed at the regeneration of certain areas in the centres of Cork[2], Dublin[3], Galway[4], Kilkenny[5], Limerick[6], Waterford[7]. Areas in the following towns are designated from 8 April 2026: Athlone, Drogheda, Dundalk, Letterkenny, and Sligo. The areas (known as "special regeneration areas" (SRAs)) have been designated for the purposes of the scheme by Order of the Minister for Finance.

The maps and boundaries of these areas can be found on the websites of the respective local authorities. Every effort has been taken to ensure that the boundaries of these SRAs do not intersect properties. Expenditure on a property located outside a SRA cannot qualify for tax relief. It is the responsibility of the applicant to determine whether their property is within a SRA.

3.3 Statutory Consents

The works carried out must meet all statutory requirements.

Persons intending to claim relief must establish, before beginning any works, whether any part of the site or structure is protected by legislation and what types of notifications, permissions and/or consents may be necessary.

Being located in an SRA does not impose any additional requirements in this regard but also does not exempt the works from any existing requirements.

Buildings in an SRA may be protected structures or may be situated in an architectural conservation area under the Planning and Development Act 2000 (as amended).

Where this is the case the advice of an architectural conservation officer in the local authority should be sought.

There may also be requirements under the National Monuments Acts (1930-2004) and the advice of the National Monuments Service of the Department of Housing, Local Government and Heritage should be sought in this regard.

Where required, planning permission must be obtained for the works.

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[2] S.I. No. 182/2015 - Taxes Consolidation Act 1997 (Living City Initiative) (Special Regeneration Area) (Cork) Order 2015.
[3] S.I. No. 183/2015 - Taxes Consolidation Act 1997 (Living City Initiative) (Special Regeneration Area) (Dublin) Order 2015.
[4] S.I. No. 184/2015 - Taxes Consolidation Act 1997 (Living City Initiative) (Special Regeneration Area) (Galway) Order 2015.
[5] S.I. No. 185/2015 - Taxes Consolidation Act 1997 (Living City Initiative) (Special Regeneration Area) (Kilkenny) Order 2015.
[6] S.I. No. 186/2015 - Taxes Consolidation Act 1997 (Living City Initiative) (Special Regeneration Area) (Limerick) Order 2015.
[7] S.I. No. 187/2015 - Taxes Consolidation Act 1997 (Living City Initiative) (Special Regeneration Area) (Waterford) Order 2015.

3.4 Letter of Certification

A Letter of Certification is required in respect of the rented residential and living over the shop elements of the relief, but is not required for the commercial element of the relief. A Letter of Certification is a letter issued to the claimant (or to the person who refurbished/converted the property) by the relevant local authority in respect of the property (see 3.5- Application Process for further information). The letter contains the following statements:

- That planning permission has been obtained for the works. In some cases, the works will not require planning permission. If that is the case, it will be stated in the letter.
- That the basic standards of facilities regarding water, sewerage and other services have been installed.
- That, on the basis of the information provided, the cost of the works seems reasonable. This opinion will be based on the details supplied to the local authority either by the claimant or builder. Its purpose is to ensure that the amount of expenditure which is eligible for the relief is not excessive.

3.5 Applying for a Letter of Certification

The application form for the Letter of Certification is available on the relevant local authority website. A separate application is required for each residential unit. The following information is required to be provided:

- The name and address of the applicant.
- The address of the property.
- The property ID for Local Property Tax purposes (if available).
- Reference number of planning permission (if it is required).
- A description of the works. This should be sufficient to enable the local authority to ultimately make a judgement that the cost is reasonable.

The local authority will issue an interim acknowledgement confirming that planning permission (if required) was obtained. The acknowledgement will also contain a unique reference number (URN) referable to the application. When the work has been completed, the local authority should be advised, quoting the URN, of the exact cost of the works and a Letter of Certification should be requested.

Where work is carried out on a property in tranches which are independent of each other, a separate Letter of Certification should be acquired for each tranche of work.

Example 1

In 2023, Jemma buys a house located in a SRA. She applies for, and receives, a Letter of Certification in relation to this property. She carries out sufficient refurbishment work in 2023 to make the first two floors habitable. The third floor of the house is left vacant while the work is being carried out. Jemma lets the property once the work is completed. Jemma is entitled to claim relief on the refurbishment expenditure incurred in 2023 in her 2023 tax return.

In 2026, Jemma decides to carry out refurbishment work to the third floor of the property. She applies for, and receives, a Letter of Certification in relation to this work, all of which is carried out in 2026. Jemma is entitled to claim relief on the refurbishment expenditure incurred in 2026 in her 2026 tax return.

3.6 Meaning of rateable for the purposes of Living over the Shop

Living over the Shop relief can be claimed in respect of qualifying expenditure incurred on a qualifying premises.

The term "qualifying premises" is given a broad meaning so that relief will apply to qualifying expenditure incurred on the part or full conversion or refurbishment of properties, which are rateable premises within the meaning of Schedule 3 of the Valuation Act 2001, into residential premises. Expenditure incurred on the conversion or refurbishment of any portion of the premises, including the ground floor, rear and side of the premises, may qualify for the relief.

A qualifying premises is a building or structure, or part of a building or structure, the entirety of which was a relevant property liable to rates. This may include a building or structure which was in part liable to rates, as that part was in its entirety liable to rates. Following the incurring of qualifying expenditure on the conversion or refurbishment into residential units, those units must be let on bona fide commercial terms.

The legislation for levying and collecting commercial rates is contained in the Local Government Rates and other Matters Act 2019. Where a building subject to commercial rates receives an abatement of rates (for example a vacancy allowance) or a waiver from the relevant local authority, the classification of the building as "rateable" is unchanged.

Non rateable buildings are set out in Schedule 4 of the Valuation Act, 2001 and include for example, farm buildings, any domestic premises and community halls etc.

Example 2

Betty owns a 3 -storey building located in a SRA in Athlone town.

The ground floor and first floor are used as a shop. The top floor is a storeroom.

In May 2026, Betty decides to carry out works to convert the top floor of the property into an apartment. The conversion and refurbishment work cost €70,000. She applies for, and receives, a Letter of Certification in relation to this work, all of which is carried out in 2026. Betty lets the apartment on bona fide commercial terms and for a rent negotiated at arm's length.

Betty may make a claim for the living over the shop element of the Living City Initiative, as the property was liable to rates in advance of its conversion into a residential unit.

Example 3

Edmond owns an industrial building located in a SRA in Waterford City. The building is rateable, but the rates liability has been nil for the past six years.

In February 2026, Edmond decides to carry out works to convert the property into residential units. The conversion and refurbishment work cost €270,000. He applies for, and receives, a Letter of Certification in relation to this work, all of which is carried out in 2026. Edmond lets the residential units in 2026 on bona fide commercial terms and for a rent negotiated at arm's length.

Edmond may make a claim for the living over the shop element of the Living City Initiative, as the property was liable to rates in advance of its conversion into residential units.

Edmond may claim an accelerated capital allowance, starting in 2026, of €135,000 (€270,000 @ 50%) per annum for two years.

4 Qualifying Period

To qualify for relief under the Living City Initiative, qualifying expenditure must relate to the qualifying period. While the end date of the qualifying period is the same for all four elements of relief under the Living City Initiative, i.e. 31 December 2030, the start date of the qualifying period depends on the applicable element of relief:

- the rented residential (landlord) relief applies for expenditure incurred on or after 1 January 2017,
- the commercial relief applies for expenditure incurred on or after 5 May 2015, and
- the living over the shop relief applies for expenditure incurred on or after 1 January 2026.

Only expenditure related to work actually carried out in the qualifying period can qualify for the relief. Provided the work is carried out in the period, the date of actual payment is not relevant. A late payment for work carried out before the commencement of the period does not qualify, nor does a pre-payment for work carried out after the end of the period. Only expenditure that is properly attributable to work on the conversion or refurbishment actually carried out during the qualifying period is to be treated as having been incurred.

5 Qualifying Expenditure

The amount of the relief that can be claimed is based on the qualifying expenditure subject to the maximum limit (see section 7 for further details). The relief is only available for expenditure incurred on the refurbishment or conversion[8] work (not for "new build") carried out on existing properties during the qualifying period.

Only the direct costs of the refurbishment or conversion are taken into account, so for instance, the cost of acquiring the property or building a new extension will not qualify for the relief except where that extension is required to meet building regulations (see 5.3 for further details).

The minimum qualifying expenditure that must be incurred to be eligible for the relief is €5,000. There is no upper limit to the amount of expenditure that can be incurred on the refurbishment or conversion but there is a limit on the amount of tax relief that may be claimed (see section 7 for further details).

Any grants received in relation to the property, or the works being carried out, reduce the qualifying expenditure (see 5.1 for further details).

Where a person pays directly for the work to be carried out on a property or on a (vacant or derelict) property they have bought, the qualifying expenditure will be based on the amounts paid to the relevant contractor who carried out the work (see 5.4 for further details).

Where a person buys a refurbished or converted property (house or apartment) directly from a builder, the qualifying expenditure will be based on a percentage of the purchase price. The builder will provide a Letter of Certification in respect of the property and will indicate the percentage of the builder's cost that related to the conversion or refurbishment of the property.

5.1 Grants

With effect from 1 January 2026 any sum relating to the property, or to the works being carried out, which a person has or is entitled to receive, directly or indirectly by any grant or assistance, from the State, or any board established by statute or any public authority, must be deducted when calculating the qualifying expenditure for the purposes of the rented residential, commercial and living over the shop elements of the scheme.

Prior to 1 January 2026 an amount equal to three times the grant received, or receivable in respect of the property was deductible.

[8] See Appendix 1 for definitions.

Example 4

Éanna buys a pre-1975 house located in a SRA based in Galway in 2026 and carries out sufficient refurbishment work to let the property. Éanna applied for, and received, a Letter of Certification in relation to this work. Éanna will let the property on bona fide commercial terms.

The refurbishment works cost €170,000. Éanna applied for a grant in respect of the refurbishment works for the property and receives €50,000.

Éanna lets the property in October 2026 once the works are completed.

Éanna is entitled to claim rented residential relief on eligible expenditure of €120,000, which is the refurbishment cost of €170,000 less the amount of the grant received of €50,000.

Éanna may claim an accelerated capital allowance, starting in 2026, of €60,000 (€120,000 @ 50%) per annum for two years.

5.2 Treatment of VAT

VAT paid in connection with the refurbishment or conversion of a property, or the purchase of a property (where the property was refurbished or converted by a developer), can only be included as part of qualifying expenditure where the person who incurred the expenditure is not registered for VAT or, where registered, an input credit is not available. In other words, relief is only available where VAT is a net cost to the person paying that VAT. Qualifying expenditure can, therefore, be VAT inclusive. Conversely, in the case of a builder, since the VAT on his/her inputs can generally be reclaimed, the figure (qualifying expenditure) that is used to calculate the percentage entitlement for the purchaser of the property is net of VAT. The purchaser can then apply this percentage to the purchase price (inclusive of VAT) to work out their qualifying expenditure figure.

5.3 Expenditure on an extension to the property

In general, expenditure on an extension will **not** qualify for tax relief under the scheme, for instance expenditure on the addition of an extra bedroom to the original building will not qualify. This does not prevent the person from claiming relief in relation to any conversion or refurbishment expenditure incurred on the original structure. It is the expenditure on the original structure which the local authority will be confirming in the Letter of Certification.

However, expenditure on an extension will qualify for relief if the extension is required in order to comply with building regulations, for example, if building regulations require the addition of a bathroom to an old derelict house or a fire exit to residential apartments situated on an upper floor of a building.

Example 5

Ben owns a two-storey retail building in Galway. The ground floor of the building is a shoe shop while the upper floor contains storage rooms. Ben decides to convert the storage rooms into a one-bedroom apartment. The existing stairs in the building are narrow and do not meet building regulations for residential use. Stairs with the appropriate ratio as required by building regulations can only be provided for by way of an extension to the building.

As part of the extension works, Ben decides to add a second bedroom to the apartment.

The expenditure incurred on the extension works qualifies for tax relief only to the extent that it relates to the stairs. The expenditure that relates to the addition of the second bedroom does not qualify for relief.

5.4 Costs taken into account in calculating qualifying expenditure

Not all costs incurred on the conversion or refurbishment of a property are taken into account in calculating the amount of the qualifying expenditure. Broadly speaking, only the direct costs of conversion or refurbishment are allowable.

In the case of conversion of properties to be used for residential purposes, such as those within the rented residential and living over the shop elements of the scheme, Revenue practice is to allow the cost, when first installed, of fitted kitchens and bathroom suites and certain other items such as fireplaces that form part of the fabric of the building.

Costs that **are allowed** in calculating the amount of the qualifying expenditure include:

- Direct refurbishment or conversion costs such as the cost of building materials, hire of equipment, labour costs, administrative overheads, architects' and engineers' fees, painting and decorating when undertaken as part of the conversion or refurbishment.
- The cost of certain items, when first installed, that form part of the fabric of the building such as fitted kitchens (excluding appliances), bathroom suites, fixed flooring, tiling and light fittings.
- Fees paid to local authorities for the provision of certain infrastructure and services that are directly related to the particular property.
- Interest on money borrowed to fund direct refurbishment or conversion costs.

Costs that **are not allowed** in calculating the amount of the qualifying expenditure include:

- The cost of the building prior to conversion/refurbishment.
- Costs associated with the acquisition of the building prior to conversion/refurbishment such as legal fees, stamp duty, and professional valuation fees.
- The cost of items that do not form part of the fabric of the building such as kitchen appliances, free-standing furniture, carpets, curtains and garden plants.
- Costs attributable to a person's own labour.
- General contributions/levies that are paid to a local authority but are not directly related to the property.
- Interest paid on money borrowed to fund the purchase of the property prior to conversion/refurbishment and interest on other borrowings not directly related to the conversion or refurbishment.

These lists are not exhaustive.

6 How the rented residential, commercial and living over the shop elements of the Living City Initiative operate

A person being an individual, company or body of persons who incurs qualifying expenditure (which must be at least €5,000) on the rented residential, commercial or living over the shop elements of the scheme is entitled to make a claim by way of accelerated capital allowances (see 6.2 for further details).

The rate at which relief is given depends on when the expenditure was incurred (see 6.1 for further details). This also affects the ability to carry unused relief into later years.

This relief is provided as a corporation tax or income tax relief, as the case may be. The accelerated capital allowances under the rented residential, commercial or living over the shop elements of the scheme are also deductible for PRSI purposes. However, the accelerated capital allowances available under these elements of the scheme are not deductible for the purposes of calculating USC.

The relief is subject to the high earners' restrictions (see 6.5).

6.1 Rate of relief

The way in which relief is given under the rented residential and commercial elements of the Living City Initiative changed in Finance Act 2025. The living over the shop element of the Living City Initiative was introduced in Finance Act 2025 and applies to expenditure incurred from 1 January 2026.

Where expenditure is incurred on or after 1 January 2026, the qualifying expenditure is written off at a rate of 50% per year for two years. Where the relief cannot be wholly utilised in a particular year the unused portion of the relief may be carried forward by the claimant to the next year and so on for a period of ten years.

Where the expenditure is incurred prior to 1 January 2026 on the rented residential and commercial elements of the scheme, the expenditure is written off at the rate of 15% per year for the first six years and 10% in the final year. In this case, if all the relief for one year cannot be used in that year because of insufficient income, the excess can be carried forward by the claimant for up to seven years (being the end of tax life of the property). The maximum level of tax relief is subject to the requirements of the de minimis Regulation (see section 7 for further details).

Example 6

Seamus owns two residential properties situated in a SRA, both of which were derelict for some time. In 2025, he decided to refurbish both properties with a view to letting them. Seamus applied for, and received, a Letter of Certification in relation to the two separate works. Seamus will let the property on bona fide commercial terms.

The refurbishment works on the first property were carried out in 2025 and the property was let immediately thereafter. Seamus meets all other conditions for rented residential relief and is entitled to claim the relief in his 2025 tax return, being the tax year in which the works were carried out. Allowances will be granted at the rate of 15% of the qualifying expenditure per year for the first six years with the remaining 10% claimed in year seven.

The refurbishment works on the second property were carried out in 2026 and the property was let immediately thereafter. Seamus meets all other conditions for rented residential relief and is entitled to claim the relief in his 2026 tax return, being the tax year in which the works were carried out. Allowances will be granted at the rate of 50% of the qualifying expenditure per year for each of two years.

6.2 General capital allowance provisions

The provisions that apply to industrial buildings and structures in Part 9 TCA 1997 apply in general to property that qualifies for relief under the rented residential, commercial and living over the shop elements of the Living City Initiative scheme.

Therefore, for example, the restriction on the offset of unused current year capital allowances against other income of €31,750 (section 409A) applies to individual passive investors. Additionally, in the case of passive investors (both individuals and corporates), it should be noted that any unused capital allowances under this scheme which are carried forward beyond the tax life of the building to which they relate, are immediately lost (Chapter 4A of Part 12).

For qualifying expenditure incurred on or after 1 January 2026, buildings qualifying for relief under this scheme have a tax life of 10 years from first use of the building following conversion or refurbishment. For qualifying expenditure incurred before 1 January 2026, buildings qualifying for relief under this scheme have a tax life of 7 years from first use of the building following conversion or refurbishment.

Expenditure on a building which already qualifies for capital allowances (e.g. registered[9] hotels, guesthouses, holiday hostels) cannot qualify for tax relief under the Living City Initiative.

[9] Registered with Fáilte Ireland

Example 7

Hats Limited buys a property located in a Special Regeneration Area based in Athlone in June 2026 and carries out refurbishment work to make it usable as a shop. Following renovation, the property is used by Hats Limited as a retail premises opening in October 2026.

The refurbishment works cost €100,000. Hats Limited applied for a grant in respect of the refurbishment works for the property and received €50,000. Hats Limited has not received any other de minimis grants in the past 3 years.

Hats Limited is entitled to claim commercial relief on qualifying expenditure of €50,000, which is the refurbishment cost of €100,000 less the amount of the grant received of €50,000.

Hats Limited may claim an accelerated capital allowance, starting in 2026, of €25,000 (€50,000 @ 50%) per annum for two years. The accelerated capital allowance may result in tax relief of up to €3,125 per annum (i.e. €25,000 @ 12.5% corporation tax rate).

6.3 USC, PRSI & Property Relief Surcharge

Capital allowances are generally deductible when calculating PRSI[10]. This means that capital allowances available under the rented residential, commercial and living over the shop elements of the Living City Initiative may be deductible for PRSI purposes.

However, the accelerated capital allowances available under these elements of the scheme are not deductible for the purposes of calculating USC (see TDM Part 18D-00-01 for further details).

Section 531AAE TCA 1997 provides for an additional rate of USC (property relief surcharge) of 5% on that part of an individual's taxable income which is sheltered by any of the relevant property or area-based incentive reliefs. Property relief surcharge only applies where an individual has income of a certain level. The property relief surcharge applies to certain claimants under the commercial element of the scheme but does not apply in the case of rented residential or living over the shop claimants. Please see TDM Part 18D-00-01 for further details.

6.4 Repair and Leasing Scheme

The Repair and Leasing Scheme was introduced by the Department of Housing, Local Government and Heritage to bring vacant properties into social housing use. The Repair and Leasing Scheme provides for an interest free loan by a local authority to a property owner to carry out works necessary to bring a property up to the required standard for letting. Further information on the Repair and Leasing Scheme is available here.

[10] Social Welfare Act 2005.

Where the property in question is located in a SRA and the works that are funded by the loan from the local authority consist of conversion or refurbishment work carried out during the qualifying period for the rented residential element of the Living City Initiative, the expenditure on that work can qualify for tax relief under the scheme (provided all other relevant conditions of the scheme are satisfied). Although the expenditure is initially met by the local authority funding, the loan is repayable by means of a reduction in the lease payments payable to the property owner under the Repair and Leasing Scheme. In these circumstances, the property owner has met the requirement of having incurred expenditure for the purposes of tax relief under the rented residential element of the Living City Initiative.

Information on the tax treatment of payments received by a property owner under the Repair and Leasing Scheme is available here.

6.5 Restriction on tax relief claims by high-income individuals

Chapter 2A of Part 15 of the Taxes Consolidation Act 1997 (TCA 1997) and associated Schedules 25B and 25C introduced, with effect from 1 January 2007, a measure to limit the use of certain tax reliefs and exemptions by high-income individuals. This measure is commonly known as the high earners' restriction. The tax relief available under the Living City Initiative is among those restricted. Please see TDM Part 15-02A-05 for further details.

7 The limit on tax relief applicable for the purposes of the rented residential, commercial and living over the shop elements

The rented residential, commercial and living over the shop elements of the Living City Initiative constitute State aid and are provided subject to Commission Regulation (EU) 2023/2831 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid (the "de minimis Regulation")[11]. The de minimis Regulation provides for a monetary limit of €300,000 on the total amount of relief that can be claimed by a single undertaking over any period of 3 years. Where a claim would bring the single undertaking above the maximum amount of €300,000, the claim is not permissible.

7.1 What is an undertaking

For the purposes of the Living City Initiative, and in line with its interpretation in EU case law, the word 'undertaking' is regarded as any entity engaged in an economic activity, regardless of its legal status and the way in which it is financed.

The concept of undertaking is activity based, not status based, and consideration must be given to whether the entity is engaged in an economic activity. Broadly, an economic activity is any activity consisting of offering goods or services on a given market. For example, if rental income is generated through a business-like approach such as a landlord renting to third parties, the landlord will be carrying on an economic activity.

An individual or company (any natural or legal person) intending to provide, or already providing, a good or service (economic activity) is deemed to be an undertaking, irrespective of its legal form. Whether the entity is private or public, or for profit or non-profit, is irrelevant.

For example, self-employed persons, sole-traders, family businesses, partnerships, associations and charities engaged in an economic activity are each considered an undertaking.

7.2 What is a single undertaking and why is it important

Section 372AAA TCA 1997 notes that the permissible ceiling of aid for the purposes of the rented residential, commercial and living over the shop elements of the Living City Initiative is the maximum amount of de minimis aid of €300,000 that may be granted to a single undertaking in any 3-year period in accordance with the de minimis Regulation. Therefore, a claimant must identify any single undertaking of which they are a member to ensure that the claim is permissible.

For the purposes of the Living City Initiative a single undertaking has the meaning assigned to it by Article 2(2) of the de minimis Regulation[12].

[11] Commission Regulation (EU) 2023/2831 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid.

A single undertaking includes all enterprises having at least one of the following relationships with each other:

(a) one enterprise has a majority of the shareholders' or members' voting rights in another enterprise;

(b) one enterprise has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another enterprise;

(c) one enterprise has the right to exercise a dominant influence over another enterprise pursuant to a contract entered into with that enterprise or a provision in its memorandum or articles of association;

(d) one enterprise, which is a shareholder in or member of another enterprise, controls alone, pursuant to an agreement with other shareholders in or members of that enterprise, a majority of shareholders' or members' voting rights in that enterprise.

If enterprises have any of the relationships referred to in points (a) to (d) through one or more other enterprises, they are also considered to be a single undertaking.

Example 8

A Ltd owns and controls 100% of the shares in B Ltd. B Ltd owns 5% of the shares and controls the majority of voting rights in C Ltd. A Ltd, B Ltd and C Ltd are considered a single undertaking.

Example 9

Orange Co is a 60% shareholder in Red DAC. Orange Co is also a 55% shareholder in Yellow Ltd. Orange Co has the majority of voting rights in both companies. Orange Co, Red DAC and Yellow Ltd are considered a single undertaking.

[12] Commission Regulation (EU) 2023/2831 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid.

7.3 Conditions that apply in respect of aid granted under the de minimis Regulation

The legislation governing the rented residential, commercial and living over the shop elements of the scheme provides for a maximum level of tax relief in line with the de minimis Regulation. The maximum amount of tax relief (as distinguished from expenditure) that a single undertaking may claim under the Living City Initiative in any 3-year period is €300,000 (prior to 1 January 2026, a limit of €200,000 per project also applied but this was removed in Finance Act 2025)[13]. However, where the single undertaking has also obtained other de minimis aid in the 3-year period, such as grant aid, that other aid must also be taken into account for the purposes of the €300,000 limit. The aggregate of all de minimis aid in any 3-year period cannot exceed this limit.

There are also publication requirements in respect of the de minimis Regulation with effect from 1 January 2026 (see section 9 for further details).

In certain circumstances two or more businesses may be regarded as a single undertaking. This has implications for:

- The maximum amount of monetary relief that may be claimed under any scheme subject to the de minimis Regulation,
- The information that must be reported to Revenue, and
- The information that will be published in respect of each claim for the Living City Initiative.

If the permissible aid limits for a single undertaking will be reached by making a claim for relief under the Living City Initiative, it will result in the person being ineligible to make a claim for the Living City Initiative.

Prior to 1 January 2026 there was also a cap per project, details of which are set out in Appendix 2.

[13] See Appendix 2 for further details.

Example 10

Brian is a partner in Brian & John Builders. Brian & John Builders have developed a property in Gort. In 2025, Brian & John Builders received a grant of €250,000 when developing the Gort property. This grant was a form of de minimis State aid. Once developed, the property in Gort was sold. Brian is in a single undertaking with Brian & John Builders.

In 2026, Brian bought a residential property situated in a SRA. Brian decided to refurbish the property with a view to letting it. Brian applied for, and received, a Letter of Certification in relation to the work. Brian let the property on bona fide commercial terms. The refurbishment works cost €400,000.

The refurbishment works were carried out in 2026, and the property was let immediately thereafter. Brian meets all other conditions for rented residential relief and is entitled to claim the relief in his 2026 tax return, being the tax year in which the works were carried out.

The total amount of de minimis State Aid a single undertaking may receive in a 3-year period is limited to €300,000. As Brian & John Builders received a grant of €250,000, the maximum amount of tax relief which Brian may claim under the Living City Initiative is limited to €50,000 as he is part of a single undertaking with Brian & John Builders.

8 How relief is claimed

Self-assessed persons claiming capital allowances under the rented residential, commercial and living over the shop elements of the Living City Initiative scheme are obliged to file their tax returns electronically via the Revenue Online Service (ROS).

When making a claim, the following details must be provided:

- The name, address and tax reference number of the person making the claim.
- The address of the qualifying property.
- Details of the expenditure on which the relief is being claimed.
- The reference number supplied by the local authority with the Letter of Certification.
- In respect of a claim for the commercial element of the scheme, a brief description of the nature of the retail or other service which is provided or is to be provided in the qualifying premises.
- In respect of the rented residential element of the scheme, the LPT identification number of the property (where available).

Also, when making a claim an undertaking is required to complete a declaration on the tax return in respect of the de minimis Regulation.

Self-assessed persons claiming capital allowances under the rented residential, commercial and living over the shop elements of the Living City Initiative scheme will be required to complete a declaration to provide details of all other de minimis aid received by the claimant and any single undertaking to which they are a member in the past 3 years. The declaration should also include details of any grant aid received under the de minimis Regulation in that period.

9 Publication

Revenue is required to publish information on claims under the rented residential, commercial and living over the shop elements of the Living City Initiative scheme as these reliefs are granted under the de minimis Regulation.

The relief granted will be published on the eAid register which is a centralised European Commission database that records de minimis aid awarded as required under Article 6 of the de minimis Regulation[14].

Notwithstanding section 851A of the Taxes Consolidation Act 1997, which deals with the confidentiality of taxpayer information, Revenue will publish certain information on the eAid register in respect of each claimant. The information to be published may include the following in respect of the Living City Initiative:

- the name and identification number of the claimant,
- the amount of tax relief,
- the granting date of the tax relief, and
- NACE classification of the claimant.

10 Clawback of relief

Allowances granted for expenditure incurred on the conversion or refurbishment of property under this scheme may be withdrawn, in whole or in part, by way of the application of a balancing charge if the property is sold:

- within 7 years of first use of the building concerned where the qualifying expenditure is incurred before 1 January 2026,
- within 10 years of first use of the building concerned where the qualifying expenditure is incurred on or after 1 January 2026.

[14] See https://enterprise.gov.ie/en/publications/european-commission-eaid-register.html for further details.

11 Summary of criteria

11.1 Rented Residential relief

The rented residential element of the Living City Initiative is available for qualifying expenditure on a qualifying premises in the qualifying period by an individual, company or body of persons.

In order to qualify for the rented residential relief:

- The premises must be located within a "special regeneration area".
- The premises must have been built prior to 1975[15].
- The relevant local authority must have issued a Letter of Certification (see 3.4 and 3.5).
- The expenditure on the conversion or refurbishment work must exceed €5,000.
- Where any part of the conversion or refurbishment expenditure is met directly or indirectly by the State or any State bodies, the amount of the expenditure qualifying for relief will be reduced by the sum received or receivable (see 5.1).
- The expenditure must relate to conversion or refurbishment work only and not to "new build". See 5.3 which deals with the issue of an extension to a residential property.
- After the completion of the conversion or refurbishment works, the premises must be let on bona fide commercial terms for use as a dwelling by the lessee.
- There are overall limits on the amount of capital expenditure on any project which is to be treated as qualifying expenditure (see section 7).
- The expenditure must be incurred during the qualifying period which is the period commencing on 1 January 2017 and ending on 31 December 2030.

11.2 Commercial relief

The commercial element of the Living City Initiative is available for qualifying expenditure on a qualifying premises in the qualifying period by an individual, company or body of persons.

In order to qualify for the commercial relief:

- The premises must be located within a "special regeneration area".
- The expenditure on the conversion or refurbishment work must exceed €5,000.

[15] For qualifying expenditure incurred prior to 1 January 2026 the rented residential property must have been built prior to 1915.

- Where any part of the conversion or refurbishment expenditure is met directly or indirectly by the State or any State bodies, the amount of the expenditure qualifying for relief will be reduced by the sum received or receivable (see 5.1).
- The expenditure must relate to conversion or refurbishment work only and not to “new build”.
- After the completion of the conversion or refurbishment works, the premises must be used for retail purposes or for the provision of services within the State only or the premises must be let on bona fide commercial terms for such use.
- There are overall limits on the amount of capital expenditure on any project which is to be treated as qualifying expenditure (see section 7).
- The expenditure must be incurred during the qualifying period which is the period commencing on 5 May 2015 and ending on 31 December 2030.

11.3 Living Over the Shop relief

The living over the shop element of the Living City Initiative is available for qualifying expenditure on a qualifying premises in the qualifying period by an individual, company or body of persons.

In order to qualify for the living over the shop relief:

- The premises must be located within a “special regeneration area”.
- Before the conversion or refurbishment works are undertaken, the relevant local authority must have issued a Letter of Certification (see 3.4 and 3.5).
- The expenditure on the conversion or refurbishment work must exceed €5,000.
- Where any part of the conversion or refurbishment expenditure is met directly or indirectly by the State or any State bodies, the amount of the expenditure qualifying for relief will be reduced by the sum received or receivable (see 5.1).
- The expenditure must relate to conversion or refurbishment work only and not to “new build”. See 5.3 which deals with the issue of an extension to a residential property.
- Before the conversion or refurbishment of the premises into one or more houses, the premises must be rateable (see 3.6) and after the qualifying expenditure is incurred on its conversion or refurbishment, the premises must be a relevant property not rateable i.e. it must qualify for the exemption from rates for domestic premises.
- After the conversion or refurbishment of the premises into one or more houses, the house or houses concerned must be let on bona fide commercial terms for use as a dwelling by the lessee.

- There are overall limits on the amount of capital expenditure on any project which is to be treated as qualifying expenditure (see section 7).
- The expenditure must be incurred during the qualifying period which is the period commencing on 1 January 2026 and ending on 31 December 2030.

Appendix 1 – Definition of conversion and refurbishment

Definition of "**conversion**" for the purposes of section 372AAB, section 372AAD and section 372AAE TCA 1997 which deal with the residential elements:

- "conversion", in relation to any building, structure or house means any work of -
    - conversion into a house of a building or part of a building where the building or, as the case may be, the part of the building has not, immediately prior to the conversion, been in use as a dwelling, and
    - conversion into 2 or more houses of a building or part of a building where before the conversion the building or, as the case may be, the part of the building has not, immediately prior to the conversion been in use as a dwelling or had been in use as a single dwelling,

including the carrying out of any necessary works of construction, reconstruction, repair or renewal, and the provision or improvement of water, sewerage, or heating facilities, in relation to the building, or the part of the building, as the case may be.

Definition of "**conversion**" as provided in section 372AAC for commercial element:

- "conversion", in relation to a building or structure, means any work of conversion, reconstruction or renewal, into a building suitable for use for the purposes of the retailing of goods or the provision of services only within the State and includes the provision or improvement of water, sewerage or heating facilities carried out, or maintenance in the nature of repair.

Definition of "**refurbishment**" as provided in section 372AAA TCA 1997 for the four elements of the Living City Initiative:

- "refurbishment", in relation to a building, structure or house, means any work of construction, reconstruction, repair or renewal, including the provision or improvement, of water, sewerage or heating facilities, carried out in the course of the repair or restoration, or maintenance in the nature of repair or restoration, of the building, structure or house.

These are the same definitions of conversion and refurbishment as used in previous property schemes.

Appendix 2 – Limits to qualification for relief pre-1 January 2026

In respect of expenditure on the commercial and rented residential elements of the Living City Initiative pre- 1 January 2026, certain additional restrictions applied:

- the cap per project on the amount of expenditure that qualified for relief,
- the restriction that prevented property developers and connected parties from availing of relief under the scheme,
- the restriction that prevented undertakings in difficulty from availing of relief under the scheme.

Limits to expenditure that qualifies for relief

The maximum level of **tax relief** (as distinguished from **expenditure**) that can be claimed under the commercial and rented residential elements of the scheme in respect of expenditure incurred prior to 1 January 2026 is €200,000 per project.

There is no limit to how much can be invested in the conversion or refurbishment of a premises. The limit is on the amount of tax relief which can be obtained. The limit of €200,000 is imposed on the project itself, so it does not matter how many investors there are, the relief is the same as if there were only one investor. Relief is only available for expenditure actually incurred.

There are a number of possible investment scenarios:

One investor.

If the investor is an individual the amount of expenditure that can qualify for relief is €400,000, whereas if the investor is a company trading from the premises, the limit is €1,600,000 or if the investor is a company letting the premises, the limit is €800,000.

Two or more individuals/Two or more companies.

If two or more individuals invest in a project, the amount of expenditure that qualifies for relief remains at €400,000. So, if one individual invested €200,000 and the other individual invested €600,000 (a ratio of 1:3), the amount of expenditure that can qualify for relief is likely to be split in the same ratio. In this case one investor would have €100,000 of expenditure and the other €300,000. The legislation does not actually specify how the expenditure should be split but it does set the overall limit. From the point of view of the Exchequer, the cost is the same.

The situation is precisely the same in the case of two or more companies which invest, although in this case, the overall limit is €800,000 for companies in receipt of rental income and €1,600,000 for trading companies.

Individuals and companies investing together.

There are formulae in the legislation providing how to allocate the expenditure that can qualify for relief where individuals and companies invest together:

(A x 50%) + (B x 12.5%) cannot exceed €200,000.
Where -
A is the aggregate of qualifying expenditure by individuals, and
B is the aggregate of qualifying expenditure by companies trading from the premises.

(A x 50%) + (B x 25%) cannot exceed €200,000.
Where -
A is the aggregate of qualifying expenditure by individuals, and
B is the aggregate of qualifying expenditure by companies letting the property.

When the actual expenditure by individuals and companies is inputted into this formula the result may or may not exceed €200,000.

- If the result does not exceed €200,000, then those actual expenditure figures are the figures for expenditure that can qualify for relief.
- If the result exceeds €200,000, then the actual expenditure figures must be reduced so that the **tax relief** result is equal to or below €200,000. How much each investor's share of the overall expenditure is reduced so that it can qualify for tax relief is a matter for negotiation between the participants. It is not necessary for the legislation to prescribe how this should be done other than to set the overall limit on tax relief.

Finance Act 2025 removed the project cap on the amount of tax relief that may be claimed under the commercial and rented residential elements of the scheme. However, these reliefs (together with the living over the shop element) are within the remit of the EU de minimis rule[16] which imposes a cap of €300,000[17] on the maximum amount of State aid that an undertaking can avail of, from all sources subject to the de minimis Regulation, in any rolling three-year period.

Non-availability of relief for property developers

Prior 1 January 2026 developers and their connected persons were precluded from obtaining relief under the rented residential and commercial elements of the scheme where either the property developer or the connected person incurred the capital expenditure on the conversion or refurbishment of the premises. This restriction does not apply in respect of expenditure incurred on or after 1 January 2026.

[16] Commission Regulation (EU) 2023/2831 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid.
[17] Prior to 1 January 2024 the maximum amount of State aid that an undertaking could avail of in any rolling 3-year period was €200,000.

Undertakings in difficulty

Finance Act 2025 removed the undertaking in difficulty provision. Prior to 1 January 2026 undertakings in difficulty, within the meaning of the European Commission Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty, were excluded from the rented residential and commercial elements of the scheme. A person is regarded as an undertaking in difficulty for the purposes of these Guidelines if that person, without intervention from the State, will almost certainly go out of business in the short or medium term.