Removal of Waiver of Exemption

This document should be read in conjunction with section 96, and section 97(1) of the VAT Consolidation Act 2010 (VATCA).

Document last updated December 2025

Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs

The information in this document is provided as a guide only and is not professional advice, including legal advice. It should not be assumed that the guidance is comprehensive or that it provides a definitive answer in every case.

Introduction

This guidance has been revised following the removal of the waiver of exemption by Finance Act 2025.

Guidance on the VAT treatment of all other lettings where a waiver does not apply is available on Revenue.ie.

1. Removal of waivers of exemption

A waiver of exemption from VAT applied to certain property lettings where the lease was less than ten years and where the landlord waived his or her right to exemption from VAT in respect of the letting(s) prior to 1 July 2008.

From the date the Finance Act 2025 is enacted, all waivers of exemption from Value-Added Tax (VAT) are automatically cancelled. No cancellation sum is payable by the landlord on foot of the automatic cancellation of the waiver.

On the automatic cancellation of the waiver of exemption, any letting previously covered by a waiver will automatically become an exempt letting for VAT.

A landlord can exercise a 'landlord's option to tax' on lettings on commercial properties. Where a landlord does not exercise a 'landlord's option to tax' the lettings will remain exempt from VAT and there will be no deductibility in respect of any future costs associated with the lease. A 'landlord's option to tax' cannot be exercised in respect of residential properties. Guidance on the option to tax lettings is covered in Revenue guidance on the letting of immovable goods.

2. Capital Goods Scheme

From the date the Finance Act 2025 is enacted, the Capital Goods Scheme (CGS)[1] adjustment period for any properties covered by a waiver has also ended. This means that properties that were covered by a waiver of exemption are no longer subject to any adjustments under the CGS where they are diverted to an exempt use or where they are subject to an exempt sale.

For further guidance on the CGS please see the VAT and Capital Goods Scheme TDM.

3. Cancellation Sum pre Finance Act 2025

Prior to the Finance Act 2025, where a waiver was cancelled, the legislation required the landlord to pay a cancellation sum where the VAT deducted by the landlord in respect of the acquisition or development of let properties and in respect of other

[1] The CGS is a mechanism for regulating VAT deductibility over the VAT-life (adjustment period) of a capital good. For VAT purposes, a capital good is a developed property. The scheme operates by ensuring that the VAT 1deductibility reflects the use to which the property is put over its VAT-life.

goods or services consumed in the business of short-term letting is greater than the VAT accounted for by the landlord in respect of rents.

Following the High Court judgement in the Killarney Consortium case, since 20 December 2024 Revenue no longer seeks to collect the waiver cancellation sum when a waiver is cancelled.