

Home Renovation Incentive

Extract from Speech

“I am introducing a home renovation tax incentive scheme. The Home Renovation Incentive will provide an income tax credit to homeowners who carry out renovation and improvement works on their principal private residences in 2014 and 2015. The incentive is payable over the two years following the year in which the work is carried out. The credit will be calculated at a rate of 13.5% on all qualifying expenditure over €5,000 up to a maximum of €30,000. Qualifying works include extensions and renovations to the home, window-fitting, plumbing, tiling and plastering. This incentive will support fully tax compliant builders and will move activity out of the shadow economy into the legitimate economy as all expenditure and relief claims will have to be registered electronically with the Revenue Commissioners.”

What was announced in the Budget

The following is based on details announced in the Budget on 15 October, 2013 and may be subject to changes or clarification in the forthcoming Finance (No.2) 2013 Bill, which will be published later this month.

This scheme will provide a tax credit to homeowners, as an incentive to carry out renovation, repair or improvement of the individual's principal private residence and will apply to works carried out in 2014 and 2015.

Qualifying work must cost a minimum of €5,000 ex VAT. While there is no upper limit on the cost of work, the tax relief will only be given in relation to a maximum, VAT-exclusive expenditure of €30,000.

The minimum tax credit is €675 (based on qualifying expenditure of €5,000 (excluding VAT) x 13.5%) and the maximum is €4,050 (based on qualifying expenditure of €30,000 (excluding VAT) x 13.5%).

The tax credit is non-refundable so any unused tax credit will roll forward to the next year.

The tax credit is payable over the two years following the year in which the work is carried out.

Repair, renovation or improvement work to a principal private residence, which is subject to VAT at 13.5%, is covered. Items such as furniture, white goods and carpets will not be covered.

The valuation of a property for LPT purposes on 1 May 2013 will stay the same for 2013, 2014, 2015 and 2016, regardless of any improvements made to the property.

The tax credit is only available to the owner occupiers of a principal private residence who are tax compliant. Specifically, the homeowner's LPT and Household Charge must be up to date

Building Contractors who are tax compliant are eligible to carry out work under the scheme.

The tax credit can be claimed after the work is completed.

The scheme will operate through Revenue's online systems - ROS, eRCT, PAYE Anytime, LPT online.

As the credit will be payable over two years, this means those on lower incomes who might not otherwise have had sufficient tax liability to qualify for the Scheme, will be included.