



Tax Guide for IPA V Members renting out a Property

- 1 Pre-Letting expenses: Expenses incurred before the property is let for the first time by the owner are not tax deductible. Members should endeavour to have tenant in place before incurring expenses.
Note: Certain pre-letting expenses are allowable e.g advertising costs, legal fees re the drafting of the lease
- 2 Members should note that expenses incurred in-between lettings are fully deductible
- 3 Members should advise property owners to set up a special bank account for all income and expenses relating to the property
- 4 Members should advise property owners to have a written lease in place with the tenant
- 5 Members should advise owners to register the tenancy with the PRTB otherwise the property owner may not be entitled to a deduction for mortgage interest
- 6 A deduction for mortgage interest incurred on borrowings is only available where the borrowings have been used for the purchase, repair or improvement of the investment property. Hence, any non-allowable element of borrowings should be reviewed.
- 7 Establish the original cost of the fixtures & fittings in the property. A tax deduction can be claimed on fixtures & fittings at 12.5% over 8 years. Members should draw up an itinerary of the fixtures & fittings in the property before letting a property.
- 8 Members should be aware rental income is taxable on a receivable basis i.e what you are entitled to receive as per the lease rather than what was actually received. Any unpaid rent, if not recoverable, can subsequently be written off as bad debt and a refund can be claimed for any tax paid on it.
- 9 Where members are acting for a non-resident landlord, members should establish whether a collection agent is to be appointed or whether 20% of the rental income should be deducted and submitted to Revenue
- 10 Where TRS is being claimed on a property being let, this should be deactivated

Taxation of Irish Rental Income

- 11 Members should note that the owner of the property is still liable to pay the Local Property Tax each year.
- 12 Members should advise owners to set up a special property file and maintain records in respect of expenses incurred as taxpayers are required to hold valid receipts for any expenses claimed for a period of 6 years expenses.
- 13 Where the owner previously lived in the property as a principal private residence and subsequently rents out the property, the Capital Gains Tax implications should be considered.
- 14 Landlords will need to register for Income tax as rental income is a non-PAYE source of income and file an annual tax return.

For Further information on any of the above or general tax queries, please submit your query through the dedicated email address for members on the IPAV website.

Alternatively, please contact Shay O'Brien (086-8062702) of PKF O'Connor, Leddy & Holmes at:

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