

# Capital Allowances and Rented Residential Premises

## ITCGTCT – 04-08-12

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### 1. Furnished Lettings

A wear and tear allowance is available in respect of capital expenditure incurred on the provision of plant in a house which is let furnished and the income from which is chargeable under Case V.<sup>1</sup> (section 284(6) TCA 1997) Unlike the position with commercial buildings, there is no requirement that the lessor bear the burden of wear and tear of the plant to qualify for the allowances (section 298 TCA 1997)..

The expenditure must be incurred wholly and exclusively in respect of a house which is used solely as a dwelling which is, or is to be, let as a furnished house, where that house is provided for letting on bona fide commercial terms in the open market (section 284(7) TCA 1997).

### 2. Rate at which allowances given

The allowances are given over an eight-year period at an annual rate of 12½% of the cost the item. Where expenditure was incurred on or before 31 January 2003, under a binding written contract which existed prior to 4 December 2002, a rate of 20% rather than 12½% applies. Where expenditure was incurred on or after 1 January 2001 and before 4 December 2002 the allowances were given over a 5-year period at an annual rate of 20%.

### 3. How the allowances are used

The wear and tear allowances are made in charging a person's income under Case V. Accordingly, the allowances may be set off against all rental income chargeable under Case V. They cannot be set off against non-Case V income.

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<sup>1</sup> This wear and tear allowance is available wef year of assessment 1997/98. Prior to that it was available by concession.