



Chartered property,  
land and construction  
surveyors

# Living Cities Initiative

Guide to Owners



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# Living Cities Initiative

## Guide to Owners

This guide will inform you if you are applying for the Living Cities Initiative and planning to have construction work done on your period property.

## The Living Cities Initiative and why it was introduced

In Budget 2014, Minister for Finance Michael Noonan introduced the Living Cities Initiative.

The Living Cities Initiative provides tax relief to both residential and commercial property refurbishment and conversion work that is carried out during the qualifying period only. It does not apply to "new build".

One of the main reasons this new incentive was introduced was to regenerate both historic buildings and other buildings in specified cities. The scheme applies to certain "special regeneration areas" (SRAs) in the centres of Dublin, Cork, Limerick, Galway, Waterford and Kilkenny.

# How the incentive works

## Residential Relief

The residential relief is only available for owner-occupiers. Landlords cannot claim relief under the residential element of the scheme. Property developers may carry out the refurbishment/conversion work under this scheme and then sell the refurbished/converted properties to individuals who can claim the residential relief.

The individual who incurs the qualifying expenditure (which must be equal to at least 10% of the market value of the property prior to refurbishment/conversion) is entitled to a deduction from their total income for each of 10 consecutive years of an amount equal to 10% of the qualifying expenditure.

There is no upper limit to the amount of qualifying expenditure that can be incurred. Furthermore, this relief does not affect the amount of USC or PRSI which you otherwise pay. The net effect is that you get relief at your marginal rate of income tax.

- The property must be located within a “special regeneration area” (SRA).
- The property must have been originally built for use as a dwelling prior to 1915.
- The expenditure on refurbishment/conversion must be at least 10% of the value of the property immediately before the work was carried out.
- You must obtain a “Letter of Certification” from the Local Authority regarding the property before any claim for tax relief can be made.
- The floor area of the property must be between 38 and 210 square metres (m<sup>2</sup>). If the property comprises an apartment contained within a larger building it is only the floor area of the apartment which is relevant, not the entire building.
- The first occupation of the property after the work has been completed must be by you as your sole or main residence.

## Qualifying expenditure

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, surveyors fees, painting and decorating, when undertaken as part of the refurbishment or conversion.
- 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.

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

- The cost of the building prior to refurbishment or conversion.
- Costs associated with the acquisition of the building prior to refurbishment/conversion 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.
- Marketing and selling costs such as money spent on advertising the property and residential surveyor / estate agent fees.
- Costs attributable to a person's own labour.

## Commercial Relief

The relief is given in the form of an accelerated capital allowance for “qualifying expenditure” on refurbishment or conversion of premises within the special regeneration areas. The capital allowance is given at the rate of 15% of qualifying expenditure for each of 6 years and 10% in year 7.

## Qualifying expenditure

- The premises must be located within the special regeneration area.
- The premises must be used, after refurbishment/conversion, for retail purposes or for the provision of services within the State.
- The expenditure must relate to refurbishment or conversion only and not to “new build”.
- The expenditure must be incurred within the qualifying period. This means a 5 year period commencing with the day the scheme is commenced by Order of the Minister for Finance.
- There are overall limits on the amount of capital expenditure on any project which is to be treated as qualifying expenditure.

### Example 1 - direct expenditure

- Emily has a house that has a market value of €350,000.
- The minimum expenditure that will qualify is €35,000 (10% of market value).
- Emily spends €40,000 on certified refurbishment. Emily is therefore entitled to a deduction of €4,000 p.a. from her total income for 10 consecutive years after completion.

### Example 2 - builder incurs expenditure

- Sarah, a builder, purchases a derelict property for €100,000 and spends €25,000 on refurbishment (total cost of €125,000).
- The fully refurbished property is then sold for €150,000 to Jamie.
- Sarah informs Jamie that 20% ( $\frac{€25,000}{€125,000}$ ) of the total cost relates to refurbishment costs.
- This rate is then applied to the sales price to give the amount of relief available to Jamie, i.e., €30,000 ( $€150,000 \times 20\%$ ).
- The €30,000 is spread over 10 years to reduce Jamie's income each year, which works out at €3,000 p.a.

### Example 3

An individual, Angela, and a company, McAttack Limited, enter into a project to refurbish a commercial property and agree to share the €400,000 refurbishment costs equally. Angela will be able to claim tax relief of 50% on her cost of €200,000, i.e., €100,000, and McAttack will receive tax relief of 12.5% on its expenditure of €200,000, i.e., € 25,000. The total relief available in respect of this project is therefore €125,000. Angela will claim capital allowances of €15,000 p.a. for years one to six and €10,000 in year seven. McAttack Limited will claim capital allowances of €3,750 p.a. for years one to six and €2,500 in year seven.

Source: PWC Article in Surveyors Journal (Autumn Edition)

## Professionals who can assist with your renovation project:

### Chartered Project Manager:

The Chartered Project Manager will most likely also be a Quantity Surveyor or Building Surveyor and will manage the project on your behalf from start to finish. Chartered Project Managers are experienced construction professionals who act as the client's representative and 'single point of contact' on a construction project. Construction and development projects involve the co-ordinated actions of many different professionals and specialists to achieve defined objectives. The task of project management is to bring professionals and specialists into the project team at the right time to enable them to make their best possible contribution.

### Chartered Quantity Surveyor

The Chartered Quantity Surveyor will assist with the budgeting and costing of the project. The Quantity Surveyor will assist from the outset in terms of identifying the costs associated with the project, will manage the budget through the project and ensure that there are no over-runs by contractors.

They estimate and monitor construction costs, from the feasibility stage of a project through to the completion of the construction period. Chartered Quantity Surveyors also have a detailed knowledge and offer invaluable advice in relation to procurement strategies for construction projects, whether publicly or privately funded projects.

## Chartered Building Surveyor:

The Chartered Building Surveyor will assist in the design and layout of the project. They will provide you with professional advice in relation to planning, design and also adherence to building regulations. Registered Building Surveyors can carry out Assign Certifier duties as named in the Building Control Amendment Regulations to sign off on works to ensure compliance with building regulations.

## Residential Surveyor

Residential agency surveyors, more commonly known as estate agents, are professionals working in the property industry and their work often involves selling and letting residential property whilst carrying out other property related services such as valuations for secured lending and probate valuations.

## Chartered Planning and Development Surveyor

Chartered Planning and Development Surveyors are property professionals involved in key areas of the property industry including asset management, portfolio management, assessment of land and property use requirements and development, and planning implementation.

Other consumer guides of interest

- A clear guide to selling a home
- A guide to flooding
- A guide to security deposits
- Local property tax guide
- SME guide to property
- Apartment owners under the MUD act
- A Guide to the Home Renovation Incentive
- SCSi House Rebuild guide

**For further information and to use the 'Find a Surveyor' Search Tool, visit the Society of Chartered Surveyors Ireland (SCSI) website at [www.scsi.ie](http://www.scsi.ie)**

Dating back to 1895, the Society of Chartered Surveyors Ireland is the independent professional body for Chartered Surveyors working and practicing in Ireland.

Working in partnership with RICS, the pre-eminent Chartered professional body for the construction, land and property sectors around the world, the Society and RICS act in the public interest: setting and maintaining the highest standards of competence and integrity among the profession; and providing impartial, authoritative advice on key issues for business, society and governments worldwide.

Advancing standards in construction, land and property, the Chartered Surveyor professional qualification is the world's leading qualification when it comes to professional standards. In a world where more and more people, governments, banks and commercial organisations demand greater certainty of professional standards and ethics, attaining the Chartered Surveyor qualification is the recognised mark of property professionalism.

Members of the profession are typically employed in the construction, land and property markets through private practice, in central and local government, in state agencies, in academic institutions, in business organisations and in non-governmental organisations.

Members' services are diverse and can include offering strategic advice on the economics, valuation, law, technology, finance and management in all aspects of the construction, land and property industry.

All aspects of the profession, from education through to qualification and the continuing maintenance of the highest professional standards are regulated and overseen through the partnership of the Society of Chartered Surveyors Ireland and RICS, in the public interest.

This valuable partnership with RICS enables access to a worldwide network of research, experience and advice.

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