



OHT Guide

Home Renovation Incentive

The Home Renovation Incentive (HRI) scheme provides tax relief in the form of an income tax credit of 13.5% of the capital cost (excluding VAT) of repair, renovation or improvement works. The work must be carried out on the homeowner's main home by contractors who are registered for RCT & VAT and are tax compliant. The tax credit is only available against Income Tax and does not reduce USC.

What type of home qualifies?

A qualifying home is one owned and occupied as the taxpayer's main home, or a second hand home, which the taxpayer has bought to live in as his main home once the works are carried out. HRI relief cannot be claimed on rental properties or holiday homes, new builds, or a complete reconstruction of an uninhabitable house.

What work qualifies?

Repair, renovation and improvement works subject to VAT at 13.5% such as:

- Plastering, painting and decorating
- Rewiring & plumbing
- Tiling bathroom upgrades
- Fitted kitchens
- Window replacement
- Extensions and attic conversions
- Garages
- Driveways & landscaping
- Septic tank repair or replacement

What type of expenditure does not qualify?

Expenditure on carpets, furniture, white goods (such as fridges, dishwashers) and services which are subject to VAT at 23% (such as architects' fees) do not qualify. The cost of materials that the homeowner buys personally (such as paint, tiles etc) is not eligible to be included.

If the cost of the works is covered by an insurance claim, the qualifying expenditure is reduced by the insurance amount due or received. In addition if a grant is available to fund the work (e.g. a Better Energy Home scheme wall insulation grant) the qualifying expenditure will be reduced by three times the grant amount.

Example:

A homeowner spends €10,000 on external wall insulation and a €2,700 Better Energy Home scheme grant is received. The €10,000 is reduced by €8,100 (€2,700 x 3) to give qualifying expenditure of €1,900.

Who can claim the HRI?

The tax credit is only available to the owner occupier of the main home, if he pays for the works. If a relative (e.g. a child living in his parent's home) pays for works on that home no tax credit is available as the child does not own the home and the parent did not pay for the work.

The HRI is only available if Local Property Tax and Household Charge obligations are up to date and the homeowner must be on Revenue's LPT Register as an owner of the property.

When should the work be done?

Qualifying works must be carried out and paid for on or after 25 October 2013 and if works were already in progress on 25 October 2013, only the portion of the works carried out and paid for on or after 25 October 2013 qualifies. The works can be carried out as one job or on a phased basis, and can be carried out by one or more contractors. 2013 work will be deemed to be carried out in 2014 for the purposes of claiming the relief.

How is the HRI claimed?

Each contractor who qualifies for the HRI must enter details of the work done and payments received on to the HRI online system before the relief can be claimed. If the work was done before 10 April 2014 (when HRI online went live) the details need to be entered online by 08 May 2014.

Revenue have built checks and balances into the system to ensure that the work is done and paid for, and the contractor is tax compliant. A contractor must input HRI details into HRI online which he can access through ROS (the Revenue Online System), if he is tax compliant.

The homeowner can login to [HRI online](#) using the LPT Property ID and PIN.

How much is the HRI Credit?

The HRI credit depends on the amount spent on qualifying works. A minimum amount (€4,405 before VAT) must be spent and the maximum on which someone can claim the credit is €30,000 before VAT. Therefore the minimum tax credit is €595 (€4,405 at 13.5%) and the maximum is €4,050 (€30,000 at 13.5%).

The tax credit applies to each main home so two people who own a property together cannot both claim the maximum credit, but must split it. However if a taxpayer moves home he can claim full HRI credits for each property.

How will the tax credit be received?

2015 will be the first year for HRI tax credits, and the HRI should be claimed at the start of the year following the works. It will be included with the homeowner's other tax credits over the two years following the year in which the works are carried out and paid for. If the homeowner is paying tax via PAYE the tax credit will be spread evenly throughout the 2 years

Example:

A homeowner hired a builder to carry out a bathroom renovation for €10,000 (plus VAT at 13.5%), and the work was carried out and paid for in April 2014. He then hired a painter to carry out painting work for €2,000 (plus VAT at 13.5%) and the work was completed and paid for in September 2014. The contractors both entered the relevant details on to the electronic HRI system.

The tax credit will be available in 2015 and 2016. The tax credit is €12,000 (total cost of works in 2014) x 13.5% = €1,620. The credit will be divided across the 2 years with a tax credit of €810 available in 2015 and €810 available in 2016

If a homeowner does not use all of the HRI tax credit in any year, Revenue will not issue a refund, but the excess credit can be carried forward and claimed as a tax credit in following years.

Revenue HRI Checklist - Homeowners

Prior to the launch of the online system on 10 April 2014, Revenue recommend that a homeowner should obtain the following information:-

- Evidence of the contractor's business name and VAT Number
- The contractor's current "Relevant Contracts Tax (RCT)" rate notification or current "Tax Clearance Certificate"
- A final quote, estimate or invoice containing
 1. a description of the works
 2. the address of the main home where the works are carried out
 3. the estimated cost of the works
- A statement from the contractor containing the start date and end date of the works
- Receipts for payments made to the contractor containing the payment date, total amount paid and a breakdown of the VAT rates and amounts.

The homeowner should also retain on file any documents relating to grants or insurance payments due or received.

These transitional rules no longer apply now that the online system has been launched.

It should be noted that the relevant details should be entered into the online system by 08 May 2014 in

respect of work carried out and paid for between 25 October 2013 and 09 April 2014. No claim will be allowable if this is not complied with.

Revenue HRI Checklist - Contractors

To enter details of the works done and payments received on the HRI system the contractor will need the following:-

1. Work Details (should be in business records)
 1. Homeowner's name
 2. Address for the work
 3. Description of the work
 4. Estimated start and end dates
 5. Estimated cost
2. Payment Details (should be in business records)
 1. Payer's name and payment date
 2. Payment amount including VAT breakdown

Revenue's FAQs on the HRI are available [here](#).

Checking the HRI position

Revenue recommend that before work starts:

- The Homeowner should check with the contractor that he is a HRI Qualifying Contractor and will enter the details of the work on HRI Online.
- The Homeowner should give the Contractor the Property ID (NOT the PPSN or Local Property Tax PIN)
- The Contractor should enter the work details to HRI online and the Homeowner should log in to check that the details are showing up on HRI Online.

After work starts and as payments are made:

- The Contractor should enter payment details to HRI online.
- The Homeowner should log into HRI Online to check the payment details
- The year after the work is carried out and paid for the Homeowner can login to HRI online to claim the HRI tax credit provided that his LPT (Local Property Tax) and Household Charge payments are up to date at the time of the claim.

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Caveat: These notes are intended as a general guide only. OHT has endeavoured to provide an accurate commentary but the notes cannot cover all circumstances. OHT strongly recommends that formal tax advice be obtained before any steps are taken that may have a tax effect.