

Home Renovation Incentive scheme (HRI)

Guide for Homeowners

**Relevant to qualifying works
carried out and paid for
before April 2014**

December 2013

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1. What is the Home Renovation Incentive (HRI) scheme?

The Home Renovation Incentive (HRI) scheme provides tax relief for you by way of an income tax credit at **13.5% of qualifying expenditure** on:

- repair
- renovation or
- improvement works.

These works **must** be carried out on your main home by qualifying Contractors.

The amount of your HRI tax credit depends on the amount you spend on qualifying works. You must spend over €4,405 (before VAT) to qualify for the tax credit. You can spend as much as you like but you can only claim the tax credit up to €30,000 (before VAT) (see section 8).

If there are no grants or insurance claims, the lowest tax credit amount is €595 (€4,405 at 13.5%) and the highest tax credit is €4,050 (€30,000 at 13.5%) (see section 16).

For example, if you paid €5,000 (before VAT) to a VAT registered and tax compliant electrician for rewiring your home, your tax credit is $€5,000 \times 13.5\% = €675$.

2015 will be the first year for HRI tax credits. Your HRI tax credit will be included in your tax credits over two years, starting the year after the work is carried out and paid for. If you are on PAYE, the tax credit will be spread evenly throughout the 2 years (see section 17 and 18).

This leaflet sets out what you should do to avail of the HRI up to early April 2014. After this Revenue will introduce an electronic HRI system.

2. What's 'qualifying expenditure'?

'Qualifying expenditure' means:

you must be paying for

- the type of **works** (see section 3)
- on the type of **home** (see section 5)

and you must be paying

- the type of **Contractor** (see section 10)

covered by the HRI.

For example:

If you paid €500 (before VAT) to a VAT registered and tax compliant plumber for repairs to the central heating system in your home, this is qualifying expenditure. Your total qualifying expenditure must be over €4,405 (before VAT) to claim the HRI tax relief (see section 8).

3. What type of works qualify?

Examples of repair, renovation or improvement works that qualify under the Incentive include:

Painting and decorating	Plastering
Rewiring	Plumbing
Tiling	Bathroom upgrades
Fitted kitchens	Window replacement
Extensions	Attic conversions
Garages	Driveways
Landscaping	Septic tank repair or replacement

The VAT rate on works carried out must be 13.5%.

If you are unsure if your repair, renovation or improvement works qualify, contact your local Revenue office.

You should keep copies of final quotes, estimates or invoices. These should contain a description of the works and the address of the home where the works are carried out.

4. What type of works don't qualify?

Carpets, furniture, white goods (such as fridges, dishwashers) and services (such as architects' fees) with a VAT rate of 23% don't qualify. Materials you buy yourself such as paint, tiles and so on, will not be included when working out the qualifying expenditure.

5. What type of home qualifies?

A qualifying home is:

- your main home, which you must own and live in or
- a second hand home, which **you have bought and will live in as your main home after** the works have been carried out.

6. What type of home doesn't qualify?

You can't get the HRI tax relief on:

- rental properties or holiday homes
- new builds
- a complete reconstruction of an uninhabitable house.

7. When do the works have to be carried out?

Qualifying works must be carried out **and** paid for **on or after 25 October 2013**. The works can be carried out as one job or on a phased basis. The works can be carried out by one or more Contractors. **Each Contractor** must qualify for the HRI and must enter details to the electronic HRI system when it's available (see sections 10, 11, and 14).

If works were in progress on 25 October 2013, only the portion of the works carried out and paid for on or after 25 October 2013 qualify.

Again, you should keep copies of statements from the Contractor containing proof of the start date and end date of the works.

8. How much qualifies for the HRI tax credit?

You can claim tax relief on qualifying expenditure over €4,405 (before VAT). You can get as much work done as you like but you can only claim the relief up to €30,000 (before VAT).

If you are claiming a grant for the works, for example a Better Energy Home scheme wall insulation grant, you need to be aware that the qualifying expenditure will be reduced by three times the grant amount.

For example:

You paid €10,000 for external wall insulation

You received a €2,700 Better Energy Home scheme grant

The €10,000 is reduced by €8,100 (€2,700 x 3)

Leaving qualifying expenditure of €1,900 (€10,000 less €8,100).

If the works are the subject of an insurance claim, the qualifying expenditure is reduced by the insurance amount due or received.

More information on this is available in the HRI FAQs on www.revenue.ie and will be set out in the HRI claim process.

You should keep copies of documentation (including those relating to the grants or insurance payments due or received), as proof of the cost before VAT as well as the VAT rate(s) and VAT amount(s).

9. How should I choose a Contractor?

While the decision is yours, good practice on engaging a Contractor can be summarised as follows - make sure you take some time when selecting a Contractor to carry out the work; look for written quotes from several Contractors; remember that the cheapest quote does not necessarily mean the best value or quality work; also ask for examples of previous work or references from previous clients; ask for an agreement in writing before the Contractor begins any work, describing what the Contractor will do and the costs. You may also wish to check if the Contractor is insured.

10. What's a 'Qualifying Contractor' under the HRI?

A qualifying Contractor is one who is participating in the HRI. This means the Contractor is registered for VAT **and** is tax compliant. Tell the Contractor you wish to avail of the HRI. The Contractor then needs to give you evidence of his or her VAT registration and tax compliance (see section 11 for more details of what you need as evidence).

11. How can I ensure that the Contractor qualifies under the HRI before the work starts?

The Contractor must give you evidence of his or her business name and VAT Number. This could be in the form of an invoice or quote. The Contractor must also give you **one** of the following:

- a current “Relevant Contracts Tax (RCT)” rate notification which will show (a) an issue date which should be no more than 30 days before the work start date and (b) a rate of RCT which should be “zero” or “20%” (a sample is included in Appendix 1 on page 11) **or**
- a current “Tax Clearance Certificate” which will show a “valid until” date (a sample is included in Appendix 2 on page 12).

If you have any doubts at this stage about the Contractor and his or her eligibility for inclusion in the HRI, you should choose a different Contractor if you wish to avail of the HRI tax credit.

You should keep copies of the above as proof that the Contractor qualifies.

12. How can I prove I paid for works?

For each payment you give to your Contractor (such as deposits or phased payments), you should ask for a receipt or a statement. This should show the date of the payment, the total payment amount as well as a breakdown of the total, showing the amount before VAT as well as the VAT rate(s) and VAT amount(s).

You should keep copies of all receipts or statements as proof of the payments you have made to your Contractor.

13. What should I give to my (HRI) Contractor?

You should give your Contractor details of your Property ID (which was included on any Local Property Tax (LPT) letters from Revenue). Your Contractor will need the Property ID to enter your works and payments details on the electronic HRI system.

Important

Do not give your Contractor your PPSN or the PIN you received in connection with LPT.

14. What does my Contractor have to do when the electronic HRI system is available?

Your Contractor must enter details on the electronic HRI system of the qualifying works he or she has carried out for you along with information on payments he or she has received from you on or after 25 October 2013. Your Contractor must do this within 28 days of the electronic HRI system becoming available in early April 2014. **You will only be able to claim the HRI tax credit if the works and payments details are on the electronic HRI system.**

You need to satisfy yourself and you should seek assurances from your Contractor that he or she will enter the details to the electronic HRI system in April 2014.

This is straightforward where the work is still on-going in April 2014 when the electronic HRI system becomes available, but where the work finishes before April 2014, you need to make sure that your Contractor will enter the details to the electronic HRI system in April 2014.

If your Contractor doesn't enter your details to the electronic HRI system, you will not be able to claim the credit regardless of the checks you carried out before the work was started. Therefore, you may wish to consider agreeing with your

Contractor to retain some portion of the payment until your Contractor enters the details to the electronic HRI system in April 2014. This is a matter between yourself and your Contractor.

15. What should I do when the electronic HRI system is introduced in early April 2014

After the electronic HRI system “goes live”, you will be able to look up the system online to make sure that your Contractor has entered details of all the works he or she has carried out for you as well as all the payments he or she has received from you. The Contractor must enter all details within 28 days of the electronic HRI system becoming available. If your details are not on the electronic HRI system you should contact your Contractor immediately to ask him or her to enter your details.

Revenue will publish the “go live” date closer to the time.

16. How much is the tax credit?

This depends on the amount you spend on qualifying works as well as any grants or insurance claims you may receive during the HRI period (on or after 25 October 2013 and up to 31 December 2015).

If there’s no grant or insurance claim, the lowest tax credit amount is €595 and the highest tax credit amount is €4,050.

For example:

- (a) You paid a VAT registered and tax compliant plasterer €3,000 (before VAT) for plastering work in your home and you paid a VAT registered and tax compliant painter €2,050 (before VAT) for internal and external painting work on your home

Your tax credit is $€5,050 \times 13.5\% = €681.75$

(b) You paid a VAT registered and tax compliant electrician €5,000 (before VAT) for rewiring your home

Your tax credit is $€5,000 \times 13.5\% = €675$

(c) You paid a VAT registered and tax compliant builder €40,000 (before VAT) for an extension on your home

Your tax credit is $€30,000 \times 13.5\% = €4,050$.

17. How do I make my claim?

You can claim from January 2015, using the electronic HRI system. This includes your claim for works carried out and paid for between 25 October 2013 and 31 December 2013.

Revenue will publish further information on how to do this nearer the time.

18. How will I receive my tax credit?

Your HRI tax credit will be included in your tax credits over two years. If you are on PAYE, the tax credit will be spread evenly throughout the year. Your tax credit is 13.5% of the qualifying expenditure before VAT. It will begin in the year after the work is carried out and paid for.

For example:

You hired a builder to carry out a bathroom renovation for €10,000 (before VAT at 13.5%). The work was carried out and paid for in April 2014. Your builder entered the details to the electronic HRI system.

You hired a painter to carry out painting for €2,000 (before VAT at 13.5%). The work was carried out and paid for in September 2014. Your painter entered the details to the electronic HRI system.

You claim your tax credit in January 2015

Your tax credit is $€12,000 \times 13.5\% = €1,620$

You receive your tax credit of €810 in 2015 and €810 in 2016

If you are on PAYE, your tax credit will be divided evenly across your pay dates for the year.

If you don't use all of your HRI tax credit in any year, it won't be refunded to you but it can be given as a tax credit in the next and following years.

19. What should I do with the copies of the documents I've kept as proof?

You should keep these for your own records.

You will need the documents when you check the electronic HRI system to make sure that your Contractor has entered your details. If the details on the electronic HRI system are different to your records, you should contact your Contractor immediately to ask him or her to correct the details.

You shouldn't send the documents to Revenue with your claim. If Revenue has any queries on your claim, you may be asked for the documents so you should keep them safely.

Appendix 1

In all correspondence please quote:
Registration No: 1234567T

Notice No: 01234567-00001A
District: 001
Unit: 001

Office of the Revenue Commissioners
Revenue Division
Address
Address
Address

V458 tcc ??SEQSTRING??

Business Name
Business Address
Business Address

Enquiries: Phone Number

5th Nov 2013

(a) This date should be no more than 30 days before the work start date

Relevant Contracts Tax (RCT) Notification of Determination under Section 530I Taxes Consolidation Act, 1997

(b) This should show zero or 20%

Dear Sir/Madam,

Your rate of RCT as a subcontractor has been determined by me to be 20%

This rate of tax will apply to relevant payments made to you (except those already notified to Revenue) by all principals until a further determination is made by the Revenue Commissioners. If you wish to make an appeal to the Appeal Commissioners that you are entitled to a lower rate of RCT, you should write to me within 30 days of the date of this notification, setting out the grounds of your appeal.

It is not necessary to lodge an appeal in order to request Revenue to review your RCT rate to take account of improved compliance.

Yours faithfully,

Forename Surname
District Inspector

Appendix 2

In all correspondence please quote:

Registration No: 1234567T

Notice No: 01234567-00001A

Office of the Revenue Commissioners

Revenue Division

Address

Address

Address

V458 tcc ??SEQSTRING??

Dist. 001

Enquiries: Phone Number

5th Nov 2013

Business Name

Business Address

Business Address

Tax Clearance Certificate

Tax Certificate Number: 01234567-00101S

Valid Until 20/8/2014

This date should be after
the work start date

This Tax Clearance Certificate is issued to the person named above to confirm that the persons tax affairs are in order.

Apart from the Standards in Public Office Act, 2001 (for which a separate Certificate is used), this Certificate may be used in any circumstances where production of a Tax Clearance Certificate is required.

Forename Surname

Office of the Revenue Commissioners

Queries relating to this certificate should be made to the above address

Checklist for the Home Renovation Incentive (HRI) scheme

You should give your Contractor -

- a. Your Property ID (**NOT** your PPSN or LPT PIN).

You should receive from your Contractor -

- b. Evidence of the Contractors business name and VAT Number
- c. The Contractors current “Relevant Contracts Tax (RCT)” rate notification or current “Tax Clearance Certificate”
- d. Final quote, estimate or invoice containing
 - a description of the works
 - the address of the main home where the works are carried out
 - the estimated cost of the works
- e. A statement from the contractor containing the start date and end date of the works
- f. Receipts or statements of payments made to your Contractor containing the payment date, total amount as well as a breakdown of the VAT rate(s) and VAT amount(s).

You should retain -

- g. Documents relating to grants or insurance payments due or received.

You should keep copies of all of the above safely.

Further Information

You can find further information on the HRI including FAQs and examples on our website at **www.revenue.ie** or you can phone your Revenue LoCall service, whose number is listed below.

- ◆ **Border Midlands West Region** **1890 777 425**
Cavan, Donegal, Galway, Leitrim, Longford,
Louth, Mayo, Monaghan, Offaly,
Roscommon, Sligo, Westmeath
- ◆ **Dublin Region** **1890 333 425**
Dublin (City and County)
- ◆ **East & South East Region** **1890 444 425**
Carlow, Kildare, Kilkenny, Laois,
Meath, Tipperary, Waterford,
Wexford, Wicklow
- ◆ **South West Region** **1890 222 425**
Clare, Cork, Kerry, Limerick

Please note that rates charged for the use of 1890 (LoCall) numbers may vary among different service providers.

If you are calling from outside the Republic of Ireland, please phone + 353 1 702 3011.

4 - Year Time Limit: A claim for tax relief must be made within four years after the end of the tax year to which the claim relates.

Accessibility: If you are a person with a disability and require this leaflet in an alternative format the Revenue Access Officer can be contacted at **accessofficer@revenue.ie**

This leaflet is intended to describe the subject in general terms. As such, it does not attempt to cover every issue which may arise in relation to the subject. It does not purport to be a legal interpretation of the statutory provisions and consequently, responsibility cannot be accepted for any liability incurred or loss suffered as a result of relying on any matter published herein.