

Capital allowances

Plant and machinery

Expenditure incurred on plant and machinery, fixtures and fittings etc may be written off at 12.5% per annum on a straight line basis over an 8 year period. A scheme of accelerated allowances provides for 100% capital allowances in the year of purchase on expenditure incurred by companies on certain qualifying equipment of an energy saving nature bought for trading purposes.

Motor vehicles

The annual allowance for motor vehicles (other than taxi and short-term hire vehicles to which a 40% rate applies) is 12.5%, on a straight line basis, of the cost of the vehicle. The maximum qualifying cost of motor vehicles (new and second hand) is €24,000. For cars purchased on or after 1 July 2008, the €24,000 threshold is reduced by reference to a sliding scale for cars with higher CO2 emissions.

Industrial buildings located in Ireland

An annual allowance of 4%, on a straight line basis, may be claimed in respect of industrial buildings used for manufacturing purposes. Accelerated allowances and allowances on certain other buildings regarded as industrial buildings are available in certain circumstances. Various conditions apply. The types of building in respect of which accelerated allowances may apply include hotels; holiday cottages; certain buildings in the area of healthcare including certain private hospitals, nursing homes, convalescent homes, nursing home residential units, private sports injuries clinics, mental health centres and specialist palliative care units. A number of area specific schemes and other specific schemes may still attract allowances which are being phased out over the next number of years with no further expenditure on construction or refurbishment attracting allowances.

A new scheme is to come into operation by way of Commencement Order following clearance by the European Commission from a State-aid perspective. The relief will be by way of accelerated capital allowances for qualifying removal costs of certain industrial facilities and the qualifying cost of building relocated facilities, including land costs to avoid hindrance to the regeneration of urban docklands.

Restrictions

Restriction on utilisation of reliefs for high earners

There is a limit on the use of "specified reliefs" which individual taxpayers may avail of to reduce their taxable income in any one year. For further details on the restriction of reliefs refer to page 18 "Restriction of certain tax reliefs for high earners". "Specified reliefs" include property based incentives.

Active partners

Other than in the case of capital expenditure incurred by certain active owner-occupiers or on hotels located in specified border counties, capital allowances deductible from total income may not, generally, exceed €31,750. The balance is generally restricted for use against Irish rental income.

Planning tip!

Ensure all necessary conditions and documentation requirements are met in relation to potential claims for capital allowances on buildings.

Planning tip!

Companies should consider whether they can buy energy efficient equipment which qualifies for accelerated capital allowances.