



European Construction Sector Observatory

Policy measure fact sheet

Ireland

Home Renovation Incentive (HRI)

Thematic Objectives 1

February 2018



In a nutshell

Implementing body:	Office of the Revenue Commissioners (Revenue) – Irish Tax and Customs
Key features & objectives:	Tax relief scheme that applies a tax credit of 13.5% to the total cost of repair, renovation and improvements to main homes and rental properties, providing a minimum cost threshold is met. The tax credit equates to a return of the Value Added Tax (VAT) paid to complete eligible types of work.
Implementation date:	25 Oct 2013 – 31 Dec 2018
Targeted beneficiaries:	Homeowners (since 2013), rental property owners (since 2014) and local authority tenants (since 2017).
Targeted sub-sectors:	Residential sector (repair, renovation and improvements).
Budget (EUR):	74.9 million (Value of HRI Tax Credits claimed by end of 2017)

There are just over 2 million homes (houses and apartments) in Ireland, of which nearly 1.7 million are listed as occupied, according to the latest census (2016) carried out by the Central Statistics Office (CSO)¹. These figures are a modest increase on the figures recorded by the CSO in 2011 (1.99 million homes and 1.65 million occupied). According to the National Renovation Strategy for Ireland (2014), Irish homes are relatively energy efficient compared to many EU countries, with an average efficiency score equivalent to a D rating on the Building Energy Rating (BER) scale. Roughly half of Irish homes were constructed prior to the introduction of building regulations in 1979 and subsequent energy efficiency regulations and are therefore in need of upgrading to meet modern quality and efficiency standards².

A large proportion of Irish homes are owner-occupied, as shown in Figure 1, with a roughly equal split between homes that are mortgaged and homes that are mortgage-free (owned outright). This implies that there is a sizeable share of Irish householders that could potentially leverage the value of their properties to access funding and invest in home renovation measures. There is also significant potential for renovation measures in the rental sector, as it accounts for almost one third of Irish householders.

Figure 1: Ownership of Irish housing stock



Source: National Renovation Strategy for Ireland, 2014³

Tax relief schemes have been used in Ireland to encourage both homeowner investment in building renovations and construction sector growth over recent decades with mixed results.

They were first introduced in the 1980s to encourage the renovation and construction of residential buildings in declining urban areas, and they were later extended to non-urban areas.

Schemes such as Section 23 and the Rural Renewal Scheme were successful but also created problems. The Section 23 scheme, for example, was introduced as a stimulus to boost the construction sector in the 1980s. It is broadly considered to have been a very successful tax relief measure that helped to significantly improve the quality of rental properties and previously run-down areas in cities and towns. However, it is also considered to have outlasted its usefulness and to have contributed to the over-inflation of the housing market and the use of energy inefficient and outdated technologies⁴. The final date for carrying out construction, renovation and conversion work, on which expenditure could qualify for Section 23 tax relief was 31 July 2008⁵.

The Home Renovation Incentive (HRI) scheme was launched in October 2013 as a more targeted and time-limited tax relief scheme. It provides homeowners, landlords and (more recently) local authority tenants with the option to claim tax relief on repair, renovation and improvement work that they have completed on their main home or rental property. Claimants must meet certain criteria to be eligible to receive the HRI Tax Credit, which is payable over a two-year period.

The HRI has proven to be very successful to date, in just over 4 years of operation. It has registered in excess of 107,000 HRI Tax Credit applications for renovation works on over 70,000 properties. The total cost of HRI registered work amounts to EUR 1.74 billion, including a current total of EUR 74.9 million in claimed tax credits, to the benefit of construction sector business and employment. Stakeholders are strongly supportive of the HRI scheme and would like to see it better publicised and with a broader scope in order to attract and benefit a larger number of potential applicants.

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General description

The Home Renovation Incentive (HRI)⁶ is an income tax relief scheme that enables homeowners, landlords and local authority tenants to claim an HRI Tax Credit of 13.5% of the total cost of repairs, renovations or improvements to their home.

To qualify for the credit, applicants must have paid Value Added Tax (VAT) at 13.5% on specific types of work on specific types of property. Table 1 provides examples of the types of works and properties that are eligible for HRI tax relief.

Table 1: Examples of qualifying works and types of properties

Examples of qualifying works	Types of properties
<ul style="list-style-type: none"> • Painting, decorating & tiling; • Plastering, plumbing & rewiring; • Bathroom upgrades; • Fitted kitchens; • Window replacement; • Extensions & attic conversions; • Garages, driveways & landscaping; • Septic tank repair or replacement. 	<ul style="list-style-type: none"> • Main home; • Private rental property • Local authority (social) rental property.

Source: Home Renovation Incentive (HRI) Scheme⁷

Applicants are not able to claim tax relief on goods and services for which the 23% VAT rate is applicable. Examples are carpets, furniture, appliances and services such as architect's fees.

To be eligible for HRI, applicants must:

- Pay tax through the 'Pay As You Earn' (PAYE) or self-assessment schemes;
- Be up-to-date with their Local Property Tax (LPT) payments;
- Use HRI qualifying contractors to carry out the work to their property.

An HRI qualifying contractor is a contractor that is:

- VAT (Value Added Tax) registered;
- RCT (Relevant Contracts Tax) registered;
- ROS (Revenue Online Service) registered;
- Tax compliant.

The HRI Tax Credit requires applicants to spend a total cost of at least EUR 4,405 on each qualifying property, exclusive of VAT (13.5%). The total cost may cover one or multiple types of qualifying works and may be carried out by one or multiple HRI qualifying contractors. There is no limit to the total cost an applicant may wish to incur; however, where the total cost of the work exceeds EUR 30,000, the HRI Tax Credit shall be limited to a maximum of EUR 4,050. Table 2 provides some examples of HRI calculations.

Table 2: Examples of HRI Tax Credit calculations

HRI Calculation	A	B	C
Total renovation cost:	11,000	32,000	43,000
Less non-applicable costs (e.g. new kitchen appliances):	1,000	2,000	3,000
Total eligible cost:	10,000	30,000	40,000
HRI Tax Credit:	1,350	4,050	4,050
Net cost to claimant:			
Total cost:	11,000	32,000	43,000
Less HRI Tax Credit:	1,350	4,050	4,050
Net cost:	10,000	27,950	38,950

Source: Office of the Revenue Commissioners, HRI⁸

Applicants can claim HRI tax relief on qualifying work that has been completed and paid for from particular dates, depending on the type of applicant:

- Homeowners: from 25 October 2013;
- Landlords: from 15 October 2014;
- Local authority tenants: from 1 January 2017.

Work completed and paid after 31 December 2018 will not be eligible for a claim, as this is the closing date of the HRI scheme. One exception to the rule is where planning permission is required. In this case, provided that the planning permission is in place, a claim can be made on work that has been completed and paid for by 31 March 2019.

Homeowners and landlords can claim the HRI Tax Credit on the Revenue Online Service (ROS) website. The HRI is an online only

scheme. Local authority tenants that wish to claim the HRI Tax Credit are required to contact their Revenue office⁹.

The HRI Tax Credit process involves four key stages:

1. In advance of works notification – the homeowner must check that the planned work is eligible and their chosen contractor is tax compliant (e.g. VAT, RCT, etc.), and must give the contractor the LPT Property ID for the main home;

2. Works notification – the contractor must input the work details into the online HRI system and the homeowner must log-in to the online system to check that the contractor qualifies;

3. Payment notification – the homeowner pays the contractor for the work carried out, the contractor then enters the payment details into the HRI online system, and the homeowner then checks that the payment details are recorded in the system;

4. Making the claim – the homeowner claims the tax credit on the HRI online system, after which the tax credit is applied and spread over the following two years in equal amounts – e.g. a tax credit of EUR 4,050 that is claimed in 2014 is returned over two years: EUR 2,025 in 2015 and 2016¹⁰.

2

Achieved or expected results

In December 2017, the Office of the Revenue Commissioners published a set of statistics on the results of the HRI scheme between 2013 and 2017, as shown in Table 3. By the end of 2017, over 107,000 works have been completed on over 70,000 properties at a total estimated cost of just under EUR 1.74 billion. The average value of works is just over EUR 16,000. Revenue also reports that the sum total of HRI Tax Credits available to be claimed by those that have carried out eligible works under the HRI scheme is EUR 122.04 million. However, that total is not reflective of the actual total cost to date to the Exchequer, because not all credits have yet been claimed. Currently, the total cost of HRI Tax Credits claimed stands at EUR 79.4 million. The tax credits have been claimed by just under 40,000 beneficiaries, which implies that many have made claims for multiple works (almost 3 on average) on different properties (almost 2 on average).

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Table 3: Results of the HRI scheme 2013–2017

Description	Totals
Number of works:	107,386
Number of properties:	70,752
Total estimated value of works (Bn EUR):	1.74
Average value of works (EUR):	16,187
Total number of contractors:	10,999
Maximum credit to be claimed (M EUR):	122.04
Number of credit claimants:	39,776
Value of credits claimed (M EUR):	74.9

Source: Home Renovation Incentive (HRI) Statistics 2013-2017¹¹

Table 4 provides a breakdown of the number of HRI eligible works and the number of properties registering works under the HRI scheme. The number of HRI eligible works completed per year has exceeded the number of properties registered under the HRI scheme, indicating that more than one type of works has been completed on some properties. The low numbers expressed for 2013 is due to the programme being launched in the fourth quarter of that year. The peak years thus far for both works and properties registered have been 2014 to 2016, although there has also been strong performance in 2017.

Table 4: Number of HRI works & properties registered

Year	No of works	Totals
2013	3,577	2,975
2014	23,803	17,169
2015	30,629	19,643
2016	29,438	18,498
2017	19,939	12,467
Total	107,386	70,752
Monthly Average	2,106	1,387
Annual Average	25,272	16,644

Source: Home Renovation Incentive (HRI) Statistics 2013-2017¹²

Table 5 provides a breakdown of the main types of HRI eligible work carried out between 2013 and 2017, based on their estimated value and the total number of works completed.

Just over 60% of the total works completed by value by the end of 2017 involved home extensions and general repairs and renovations.

Home extensions have been the most expensive in terms of value, but represent less than 10% of the number of works completed. By way of contrast, window replacements and kitchen renovations each represent about 10% of the total works completed by value, and yet they account for about 23% (window replacements) and 18% (kitchen renovations) of the total number of works completed.

Table 5: Types of HRI works completed 2013–2017

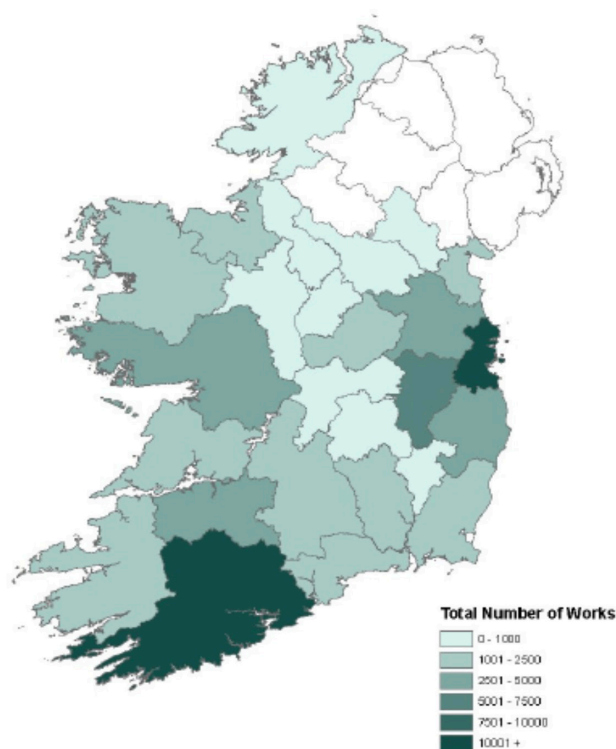
Works Description	% Total Works by Value	% Total Works by Number
Home extension	34.80	8.85
General repairs & renovations	25.36	13.65
Window replacement	10.75	23.02
Kitchen renovations	9.89	17.90
Other works (unspecified)	3.34	6.17

Source: Home Renovation Incentive (HRI) Statistics 2013-2017¹³

Figure 2 gives an indication of the geographical distribution of the number of works completed by county under the HRI scheme.

Dublin and the broad Dublin region account for almost half of the total number of works completed under the HRI scheme and properties impacted, and over half of the total estimated value of those works. The other most significant region is Cork, which accounts for nearly 10% of works completed and properties affected, and nearly 8% of the total estimated value of works.

Figure 2: Total number of HRI works by county 2013–2017



Source: Home Renovation Incentive (HRI) Statistics 2013-2017¹⁴

3

Perspectives and lessons learned

From a **government perspective**, the Ministry of Finance considers the HRI to have been very successful, in terms of the number of works (107,386) and properties (70,752) registered on the HRI online system, and the overall value of work that the HRI measure has helped to generate for the construction sector (EUR 1.74 billion) in just over 4 years since its introduction and with the involvement of thousands of contractors.

The Minister of Finance says that the HRI is “generating employment in the tax compliant construction sector and increasing sales in building supplies, hardware and related businesses”¹⁵.

The success of the measure is also evidenced by the fact that it was opened up to rental property owners (landlords) in 2014 and then to local authority tenants in 2017. The aim has been to support tax compliant operators in the rental and construction sectors and provide an incentive for improvements to the quality of rental housing¹⁶. However, the Ministry of Finance has noted in the 2018 Budget that rental properties make up only 2.4% of the total number of HRI registered properties to date. In the final year of the measure, there is therefore room to improve the appeal of the measure to the rental sector¹⁷.

From an **industry perspective**, the Hardware Association Ireland (HAI) – the national body for hardware and DIY (Do It Yourself) retailers and builders merchants – is a strong supporter of the HRI scheme and has advocated its extension over recent years.

However, the HAI has also identified areas for improvement that could make the scheme more successful in terms of appeal and uptake, and by extension achieve a greater impact on housing quality and construction sector business opportunities. HAI recommends:

- Lowering the minimum HRI qualifying spend per application from EUR 4,405 to EUR 3,000 (-33%) to encourage more people (homeowners, landlords and tenants) to invest in home improvements;
- Increasing the total project cost ceiling from which the HRI Tax Credit is calculated, from EUR 30,000 to EUR 36,000. This increase would increase the maximum tax credit (13.5%) from EUR 4,050 to EUR 4,860;
- Making the HRI Tax Credit claimable in the same year that qualifying work is completed, and 100% crediting of the claim in the following tax year, rather than over two years¹⁸.

The HAI has also identified through its own research that a fifth of Irish homeowners planned to carry out repairs and renovations in 2017, although only 15% of those were intending to make an investment that would meet or surpass the minimum cost threshold (EUR 4,050) to qualify for an HRI Tax Credit.

The HAI perceives a lack of awareness among homeowners about the HRI scheme and takes the view that there is considerable scope to improve public awareness. It has also made a recommendation to its members – retailers and builders merchants – that there is an opportunity to gain a competitive advantage by making their customers aware of the scheme – both end users and contractors – and by helping them to access its benefits¹⁹.

Endnotes

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- 10 Association of Landscape Contractors of Ireland, A Guide to the Home Renovation Incentive Scheme: [http://www.thomasjcrummy.com/assets/ALCI%20Guide%20to%20the%20Home%20Renovation%20Incentive%20scheme%20REV%20\(TJC\).pdf](http://www.thomasjcrummy.com/assets/ALCI%20Guide%20to%20the%20Home%20Renovation%20Incentive%20scheme%20REV%20(TJC).pdf)
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