**TAX GUIDE FOR LANDLORDS LETTING OUT RESIDENTIAL PROPERTY**

1. Pre-Letting expenses: Expenses incurred before the property is let for the first time by the owner are not tax deductible. Landlords should endeavour to have a tenant in place before incurring expenses.

 **Note**: Certain pre-letting expenses are allowable e.g. advertising costs, legal fees re the drafting

 of the lease.

1. Landlords should note that expenses incurred in-between lettings are fully deductible.
2. Landlords should set up a special bank account for all income and expenses relating to the property.
3. Landlords should have a written lease in place with the tenant.
4. Landlords should register the tenancy with the PRTB otherwise they may not be entitled to a deduction for mortgage interest.
5. A deduction for mortgage interest incurred on borrowings is only available where the borrowings have been used for the purchase, repair or improvement of the investment property. Hence, any non-allowable element of borrowings should be reviewed.
6. Establish the original cost of the fixtures and fittings in the property. A tax deduction can be claimed on fixtures and fittings at 12.5% over 8 years.  Landlords should draw up an itinerary of the fixtures and fittings in the property before letting a property.
7. Landlords should be aware rental income is taxable on a receivable basis ie. What you are entitled to receive as per the lease rather than what was actually received. Any unpaid rent, if not recoverable, can subsequently be written off as bad debt and a refund can be claimed for any tax paid on it.
8. Landlords who are non-resident should establish whether a collection agent is to be appointed or whether 20% of the rental income should be deducted and submitted to revenue.
9. Where TRS (Tax Relief at Source)  is being claimed on a property being let, this should be deactivated.

 **Taxation of Irish Rental Income**

1. Landlords of the property are still liable to pay the Local Property Tax each year.
2. Landlords should set up a special property file and maintain records in respect of expenses incurred as taxpayers are required to hold valid receipts for any expenses claimed for a period of 6 years expenses.
3. Where a Landlord previously lived in the property as a principal private residence and subsequently rents out the property, the Capital Gains Tax implications should be considered.
4. Landlords will need to register for Income tax, as rental income is a non-PAYE source of income, and file an annual tax return.