

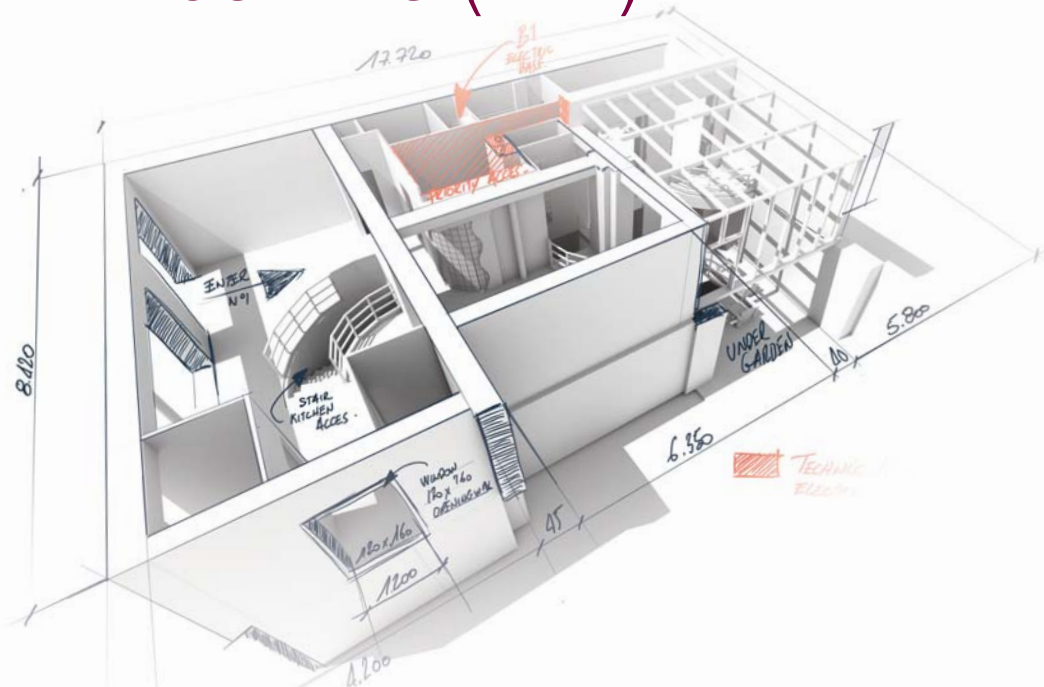


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# A Guide to...



# Home Renovation Incentive (HRI)



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This guide will tell you what you need to know if you are organising to have construction work done on your house and would like to avail of the tax credit provided in Budget 2014. Complete with useful examples showing the cost benefit this scheme will have on a typical renovation.



## **The Home Renovation Incentive and why it was introduced.**

In Budget 2014, Minister for Finance Michael Noonan introduced the Home Renovation Incentive (HRI).

The scheme is effective from 25 October 2013 and will expire on the 31 December 2015.

The Home Renovation Incentive (HRI) provides a tax credit for homeowners on repairs, improvements and renovations carried out on their principal private residence. One of the main reasons this new incentive was introduced was to reduce the competitive advantage that non - tax compliant building contractors have over tax compliant ones.

Other benefits of procuring the services of a registered building contractor reduce the risks regarding health and safety. Information regarding recent health and safety regulations can be found at the end of this guide.

It is widely accepted that hiring the non- tax compliant contractors increases the risks regarding health and safety. Homeowners must also be aware that from 1st August 2013, health and safety regulations were introduced which will see additional obligations imposed on the homeowner.



The Home Renovation Incentive will provide an income tax credit on the VAT paid by homeowners carrying out work on their home in the subsequent two years.

The credit will be calculated at 13.5pc on qualifying expenditure between €4,405 and €30,000. Where the cost of the work exceeds €30,000 (exclusive of VAT), a maximum credit of €4,050 will apply.

The scheme will support fully tax-compliant builders as the spending and relief will have to be registered with the Revenue Commissioners.



Please note that homeowners can only claim the relief under the Home Renovation Incentive if their Local Property Tax (LPT) and Household Charge obligations are up to date.

### Qualifying expenditure

- Windows
- Extensions
- Attic conversions
- Plumbing
- Tiling
- Supply & fitting of kitchens
- Plastering
- Garages
- Rewiring
- Insulation
- Landscaping



Items including furniture, white goods and carpets are NOT included in the HRI.

## Examples of the savings from the Home Renovation Incentive

Please note: All Costs are indicative only. Full costs are available by contacting your local Chartered Quantity Surveyor. Visit the SCSI 'Find a Surveyor' Search on [www.scsi.ie](http://www.scsi.ie)

### Case Study 1 – Extension to 3 bed semi-detached home built in 2000

A	Item	Total €
	Demolition works	€3,000
	Excavation, foundations, rising walls, hardcore, radon barrier, insulation, reinforcement, concrete slab	€4,200
	External blockwork walls, rendered, insulated	€3,600
	Internal walls	€1,300
	Windows and doors	€2,900
	Heating and plumbing and electrical installation modification	€4,800
	Floor finishes (tiling)	€2,600
	New timber roof, roof finish and insulation	€4,300
	New kitchen and appliances	€6,000
	New plastered ceilings and walls	€4,800
	Painting and Decoration (Internal and External full house)	€8,000
	External works (paved paths, drainage alterations, topsoil)	€2,500
	<b>Total Refurbishment Costs - excluding VAT</b>	<b>€48,000</b>



Case Study 1 – Extension to 3 bed semi-detached home built in 2000 (continued)

<b>B HRI Calculation - Case Study 1</b>	<b>Total €</b>
Total Refurbishment Costs - excluding VAT	€48,000
<b>Less Costs not applicable under HRI scheme:-</b>	
New kitchen appliances	(€1,500)
Total Allowable Costs under HRI Scheme- excluding VAT	€46,500
HRI Scheme maximum tax credit (€30,000 x 13.5%)	€4,050
<b>C Total Cost of Refurbishment by Homeowner</b>	
Total Cost of Refurbishment (including ineligible costs)	€48,000
Less Tax Credit under HRI Scheme (€30,000 x 13.5%)	(€4,050)
Net Total Cost to Homeowner after HRI Credit is applied	<b>€43,950</b>





**Case Study 2 - Refurbishment of an existing four bedroom semi-detached residential property built circa 1950's.**

<b>A</b> Item	<b>Total</b> €
Removal of existing windows and doors and replacement with new	€11,200
Removal of existing attic insulation and replacement	€2,100
Replacement floor finishes (timber floors and tiling)	€10,800
Rewiring existing house	€8,450
Replacement of plumbing and heating system	€10,500
Re-roofing existing house	€12,350
New kitchen and appliances	€6,000
Painting and Decoration (Internal and External)	€8,000
<b>Total Refurbishment Costs - excluding VAT</b>	<b>€69,400</b>
<b>B HRI Calculation - Case Study 2</b>	
Total Refurbishment Costs - excluding VAT	€69,400
<b>Less Costs not applicable under HRI scheme:-</b>	
New kitchen appliances	(€1,500)
Total Allowable Costs under HRI Scheme- excluding VAT	€67,900
HRI Scheme maximum tax credit (€30,000 x 13.5%)	€4,050
<b>C Total Cost of Refurbishment by Home Owner</b>	
Total Cost of Refurbishment	€69,400
Less Tax Credit under HRI Scheme (€30,000 x 13.5%)	(€4,050)
<b>Total Cost to Home Owner</b>	<b>€65,350</b>



**Case study 3 - Insulation upgrade to existing three bedroom terraced residential property built circa 1980's.**

A Item	Total €
Re-Insulating attic space and pumping existing cavity wall	€4,800
Painting and decoration (internal and external)	€3,900
<b>Total cost of insulation upgrade - excluding VAT</b>	<b>€8,700</b>
<b>B HRI Calculation - Case Study 3</b>	
Total Refurbishment Costs - excluding VAT	<b>€8,700</b>
Less Tax Credit under HRI Scheme (€8,700 x 13.5%)	(€1,175)
<b>Net Total Cost to Home Owner after HRI Credit is applied</b>	<b>€7,525</b>
Please note that the minimum expenditure to qualify for the relief is €4,405 (excluding VAT)	
The tax credit is payable over a 2 year period after the end of the year in which the works are carried and paid for. All properties must be the Principle Private Residence with an up-to-date Local Property Tax payment made.	

## Before agreeing the works contract

You should request a copy of the building contractor/ tradespersons “Relevant Contracts Tax” (RCT or Tax Clearance Certificate (ensure that the certificates are in date) and retain copies of these for proof that contractor qualifies. The Revenue Commissioners have useful guidance relating to the qualifying criteria and application process and this can be accessed at [www.revenue.ie/en/tax/it/reliefs/hri](http://www.revenue.ie/en/tax/it/reliefs/hri)

## HRI Calculator

The SCSI has produced a HRI Calculator which is a useful tool in estimating the HRI Scheme Tax Credit due.

This calculator is available on [www.scsi.ie](http://www.scsi.ie)



# 3

## Steps involved in a Home Renovation Project

A renovation or extension can offer much-needed extra space or an upgrade to living conditions in the house. However, it can also be a significant financial investment for most people and it is important to ensure the project is properly planned, managed and implemented to avoid unnecessary costs and difficulties later on.



### Step 1 – Planning your ideal home

The first step is to draw up your wish list, and list your requirements in order of priority. Next, set a realistic budget on what you want or have to spend. They may not match — and you may have to reduce or adjust the wish list — but it is the best starting point.

Decide what you want from the project. You should identify and list your requirements, prioritise them and note how much you have to spend.

### Step 2 - Design and Budgeting

Next you need to obtain the services of design and/or Building Surveyor professionals as they will make the most of the space you have. Once a design scheme is agreed upon, this is the best time to involve a Chartered Quantity Surveyor to put real costs on the renovation and/or extension. This should all be done before you submit the project for planning permission (if required). If the proposed project comes in over your budget, this is the time the Quantity Surveyor will bring a lot of value by suggesting areas of possible savings/reductions.



There are two main ways in which a Quantity Surveyor can assist you at this stage. If the design is at the initial concept stage with floor plans only, the Quantity Surveyor can apply rates from similar projects to the areas being refurbished and/or extended to give you an indication of cost for the project. The overall building cost can be adjusted by the Quantity Surveyor as much as possible to reflect the actual design and client requirements.

If more detailed information is available, i.e. plans and elevations, a more detailed cost plan can be done by the Quantity Surveyor. This document may be slightly more expensive to prepare but would provide the client/homeowner with the tools of knowing the costs associated with the build when the project is being tendered to registered building contractors. This is the only real way of giving you the full information you need to control costs.

Next you need to obtain the services of design professionals such as an Architect or Building Surveyor. They will make the most of the space you have and will advise on whether planning permission is required (generally minor changes, rear extensions under 40m<sup>2</sup>/430 sq ft are exempt). They will also advise on the design and once this has been agreed a Quantity Surveyor will then put real costs on the renovation and/or extension.

Your Chartered Quantity Surveyor will also organise a list of suitable builders, tender the works, manage costs and guide same through to completion. In terms of choosing a builder, it is often a good idea to take a look at other projects they have completed if possible. Your decision on which builder to appoint should not be based solely on the lowest price but rather quality of previous work and reputation.

In terms of costs, it really depends on how far you want to go with the renovation and extension to the property. Many people undertaking projects also decide to upgrade other parts of their property which would include adding insulation to the floors, attic and external walls, re-wiring, upgrading the heating and plumbing system, new doors, joinery, kitchen, sanitary ware, decoration and external patios.

### **Step 3 - Agreeing a Building Programme**

An overall budget needs to be determined, together with a breakdown of the budget into the various cost elements. The budget should include build costs, utility costs, fees, charges and levies. Include a contingency sum in your calculations.

The cost for renovation works can vary in the order of €60 to €95 per square foot depending on the requirements and specifications. A single storey ground level

extension could vary in cost between €140 to €200 per square foot, depending on varying items such as architectural design features, the extent of glass, heights of walls, overhangs, quality of kitchen units, bathrooms etc.

To give an example, refurbishment and extension of a typical detached 3 bedroom house, of 1,100 sq ft, built in the 1970s, with roof, walls and structure in good condition, which requires an upgrade with a small extension could cost in the region of €90-€130,000.

Remember that if you extend your house your insurance reinstatement value will increase and should be adjusted upon handover. The SCSI has a useful online 'Rebuild Calculator' which can assist you- this is available on [www.scsi.ie](http://www.scsi.ie)

Also note that if it is a highly-serviced extension, ie. a kitchen or bathroom extension, they can cost more than a living room, as you would have higher plumbing and fittings costs which would increase your rate per square foot. A typical architectural-designed medium level extension, with standard kitchen, say 40m<sup>2</sup>, would be around the €65,000/€70,000 level.

Our advice would be to try and prioritise your spend.



## Step 4 - Appointing a Building Contractor



You should do your research when appointing a contractor.

You should ask to see the building contractor's up to date (within the last 30 days) Notification of Determination of RCT Rate showing zero or 20% RCT Rate which means they are tax compliant.

If the building contractor is not tax compliant, they are not eligible to operate under the incentive and any work carried out by them will not qualify under the incentive.

## How to apply for the Home Renovation Incentive

The HRI is administered by the Revenue Commissioners. The Revenue Commissioners have produced some useful guidance on their website for the homeowner and the building contractor.

This can be viewed at the following link; <http://www.revenue.ie/en/tax/it/reliefs/hri/index.html>

**It should be noted that homeowners must pay for the full cost of the work and that the tax credit is payable over the two years following the year in which the work is carried out and paid for.**

In order for the building work to qualify for this incentive, the work must be carried out and paid for on or after 25th October 2013 and up to 31st December 2015.

**Homeowners must ensure that the building contractor is tax compliant.**

In order to ensure this, the homeowner needs to do the following;

- You need to see and keep a record of the building contractor's up to date (within the last 30 days) Notification of Determination of RCT Rate showing zero or 20% RCT Rate which means they are tax compliant.
- When you have the building contractor secured and work is progressing, you can view the Revenue Commissioners' website to check that all the payments received by the building contractor from you are entered onto their system.

## Claiming the HRI tax credit and SEAI Grants

You cannot claim a tax a tax credit under the incentive as well as claiming and receiving an SEAI Grant or an Insurance settlement. Any grant paid or insurance settlement will be excluded from "qualifying expenditure". Qualifying expenditure will be reduced by three times the amount of the grant payment or the full amount of the insurance payment. For example the total HRI scheme maximum qualifying expenditure as a result of receiving an SEAI grant or insurance payment would be €22,320, based on expenditure of €30,000 and calculated as follows:-

Total maximum expenditure under HRI scheme €30,000

Less SEAI grant received (€2,560 x 3)= (€7,680)

Total Maximum qualifying expenditure under HRI scheme is (€30 ,000- €7,680)= €22,320

## Other useful information

Home Renovation Incentive general information and FAQ's

<http://www.revenue.ie/en/tax/it/reliefs/hri/index.html>

## Health and Safety Regulations of interest to homeowners

The Health and Safety Authority (HAS) has produced a useful guide for homeowners in relation to new regulations. The guide can be downloaded at [http://www.hsa.ie/eng/Publications\\_and\\_Forms/Publications/Construction/homeowners\\_guidance.pdf](http://www.hsa.ie/eng/Publications_and_Forms/Publications/Construction/homeowners_guidance.pdf)

## Health and Safety Regulations - What do you have to do?

By law, you have to:

1. Determine the competency of people doing paid construction work for you,
2. appoint project supervisors if required,
3. keep the safety file for the work as appropriate, and
4. let the Health and Safety Authority know if your project is going to take longer than 30 days or more than 500 person days ('person days' mean the number of days the work takes multiplied by the number of people doing the work).

## Building Standards

The Department of the Environment Community and Local Government has useful information on their website detailing the current building regulations with Technical Guidance Documents

<http://www.environ.ie/en/DevelopmentHousing/BuildingStandards/>

## Professionals who can assist with your Home Renovation Project:

### Chartered Quantity Surveyor:



The Chartered Quantity Surveyor (QS) will assist with the budgeting and costing of the project. The Quantity Surveyor will assist from the outset in terms of identifying the costs associated with the project, will manage the budget through the project and ensure that there are no over-runs by contractors.

### Chartered Building Surveyor:



The Chartered Building Surveyor will assist in the design and layout of the project. They will provide you with professional advice in relation to planning, design and also adherence to building regulations.

### Chartered Project Manager



The Chartered Project Manager (PM) will most likely also be a Quantity Surveyor or Building Surveyor and will manage the project on your behalf from start to finish.

For further information and to use the 'Find a Surveyor' Search Tool, visit the Society of Chartered Surveyors Ireland (SCSI) website at [www.scsi.ie](http://www.scsi.ie)

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