

# Tax Relief at Source (TRS) for Mortgage Interest Relief

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## 1. What is Tax Relief at Source (TRS)?

Since 1st January 2002, tax relief for home mortgage interest is given at source [tax relief at source – TRS]. From that date TRS can be claimed in respect of qualifying loans i.e. a new mortgage, a top up loan, a home improvement loan, a re-mortgage or a consolidation of existing qualifying loans, secured on the deeds of your main residence. Mortgage interest relief is given, by your lender, either in the form of a reduced mortgage payment or a credit to your funding account. At the end of 2008 there were over 562,000 loans in receipt of TRS, at a cost of €705 million.

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## 2. What is a Qualifying Loan for TRS?

A qualifying loan for the purpose of mortgage TRS is a secured loan, used to purchase, repair, develop or improve your sole or main residence, situated in the State. With effect from 1st May 2009 the number of tax years in respect of which mortgage interest relief may be claimed is 7 years for first time and non first time buyers. You can claim mortgage tax relief in respect of the interest charged/paid on your main residence. You can also claim mortgage tax relief in respect of a mortgage paid by you for your separated/divorced spouse, and a dependent relative (i.e. widowed parent, elderly relative) for whom you are claiming a dependent relative tax credit. However, your mortgage TRS entitlement cannot exceed the maximum TRS allowance.

Switching lender or mortgage type to achieve a better interest rate does not equate to a new loan. However, moving home and taking out a new mortgage for this home with a new or existing lender is eligible for relief for 7 years from the date of first payment on the new home loan.

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### 3. What changes have there been to Mortgage Interest Relief since 1st January 2009?

From **1st January 2009**, the rate of tax relief for first time buyers increased from 20% to 25% in years 1 and 2 of the mortgage and to 22.5% in years 3, 4 and 5. This change benefits first-time buyers who purchased since 1st January 2005.

The rate for years 6 and 7 remains at 20%. First time buyers relief ends after year 7. The relief for non first time buyers is reduced from 20% to 15%.

With effect from the **1st May 2009** the number of tax years in respect of which mortgage interest relief may be claimed is 7 years for first time and non first time buyers.

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### 4. How have these changes affected me?

#### Changes from 1st January 2009

From 1st January 2009, your relief is calculated based on your status as a First Time Buyer, and also how many years you have been a First Time Buyer, or your status as a non-First Time Buyer, as appropriate. You can only get relief on the interest charged/paid on your mortgage. The actual relief you receive is dependant on the ceiling or upper limit allowable.

For instance, if you are single and a first time buyer who became a First Time Buyer in 2009 or 2008, you will be entitled to mortgage interest relief on interest paid on your mortgage up to an upper limit or ceiling of €10,000 at a relief rate of 25%. If you are a FTB in your 3rd, 4th or 5th year as a First Time Buyer, you will be entitled to mortgage interest relief on interest paid on your mortgage up to an upper limit or ceiling of €10,000 at a relief rate of 22.5%. If you are a FTB in your 6th or 7th year as a First Time Buyer, you will be entitled to mortgage interest relief on interest paid on your mortgage up to an upper limit or ceiling of €10,000 at a relief rate of 20%. However a single person who is no longer a first time buyer is entitled to mortgage interest relief

on interest paid on his/her mortgage up to an upper limit or ceiling of €3,000 at a relief rate of 15% on any NEW loan or Top Up taken out from 1st May 2009 or in the last 7 years for a maximum period of 7 years.

You can calculate the relief you are due as follows:

### **Step 1**

#### **Establish your status as a First Time Buyer or Non First Time Buyer**

In what year did you first receive tax relief on your mortgage? If the answer is 2003 or more recent, you are still a First Time Buyer for TRS purposes in 2009. If you received tax relief on your mortgage prior to 2003, you are no longer considered as a First Time Buyer.

If you have received Mortgage Interest Relief for more than 7 years on the same loan/property, you are no longer entitled to trs with effect from 1st May 2009.

If you are a non First Time Buyer and have taken out a NEW loan (not a Switcher Loan) or Top Up, you are entitled to mortgage interest relief at a rate of 15% for 7 years from the date of first repayment on that loan.

### **Step 1A**

#### **From Step 1, you have established that you are a Non First Time Buyer**

You can therefore calculate your relief at 15% of the interest paid by you on your mortgage up to a maximum of €3,000 interest paid.

#### **Example 1:**

Interest Paid: €5,500

Eligible Amount as a non First Time Buyer: €3,000

Relief Rate for Non First Time Buyer: 15%

Relief to be granted is calculated as:  $€3,000 * 15\% = €450$

Monthly TRS based on above figures:  $€450/12 = €37.50$  per month

#### **Example 2:**

Interest Paid: €2,500

Eligible Amount as a non First Time Buyer: €2,500 (as it is the lower of the max ceiling and amount actually paid)

Relief Rate for Non First Time Buyer: 15%

Relief to be granted is calculated as:  $€2,500 * 15\% = €375$

Monthly TRS based on above figures:  $€375/12 = €31.25$  per month

## Step 1B

From **Step 1**, you have established that you are a First Time Buyer **Now establish how many years you have been a First Time Buyer**

If you became a First Time Buyer in **2003 or 2004** you are in your 7th or 6th year as a First Time Buyer and will therefore receive relief at a rate of 20% and up to a maximum interest ceiling of €10,000

If you became a First Time Buyer in **2005, 2006 or 2007** you are in your 5th, 4th or 3rd year as a First Time Buyer and will therefore receive relief at a rate of 22.5% and up to a maximum interest ceiling of €10,000

If you became a First Time Buyer in **2008 or 2009** you are in your 2nd or 1st year as a First Time Buyer and will therefore receive relief at a rate of 25% and up to a maximum interest ceiling of €10,000

## Step 2

From **Step 1B**, you have established that you are a First Time Buyer and for how long you have been a First Time Buyer.

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## Category A First Time Buyer (1st and 2nd Years)

You can therefore calculate your relief at 25% of the interest paid by you on your mortgage up to a maximum of €10,000 interest paid.

### Example 1:

Interest Paid: €10,000

Eligible Amount as a First Time Buyer: €10,000

Relief Rate for First Time Buyer: 25%

Relief to be granted is calculated as:  $€10,000 * 25\% = €2,500$

Monthly TRS based on above figures:  $€2,500/12 = €208.33$  per month

**Example 2:**

Interest Paid: €12,000

Eligible Amount as a First Time Buyer: €10,000

Relief Rate for First Time Buyer: 25%

Relief to be granted is calculated as:  $€10,000 * 25\% = €2,500$

Monthly TRS based on above figures:  $€2,500/12 = €208.33$  per month

**Example 3:**

Interest Paid: €8,000

Eligible Amount as a First Time Buyer: €8,000

Relief Rate for First Time Buyer: 25%

Relief to be granted is calculated as:  $€8,000 * 25\% = €2,000$

Monthly TRS based on above figures:  $€2,000/12 = €166.66$  per month

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**Category B First Time Buyer (3rd, 4th and 5th Years)**

You can therefore calculate your relief at 22.5% of the interest paid by you on your mortgage up to a maximum of €10,000 interest paid.

**Example 1:**

Interest Paid: €10,000

Eligible Amount as a First Time Buyer: €10,000

Relief Rate for First Time Buyer: 22.5%

Relief to be granted is calculated as:  $€10,000 * 22.5\% = €2,250$

Monthly TRS based on above figures:  $€2,250/12 = €187.50$  per month

**Example 2:**

Interest Paid: €12,000

Eligible Amount as a First Time Buyer: €10,000

Relief Rate for First Time Buyer: 22.5%

Relief to be granted is calculated as:  $€10,000 * 22.5\% = €2,250$

Monthly TRS based on above figures:  $€2,250/12 = €187.50$  per month

**Example 3:**

Interest Paid: €8,000

Eligible Amount as a First Time Buyer: €8,000

Relief Rate for First Time Buyer: 22.5%

Relief to be granted is calculated as: €8,000 \* 22.5% = €1,800

Monthly TRS based on above figures: €1,800/12 = €150 per month

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### **Category C First Time Buyer (6th and 7th Years)**

You can therefore calculate your relief at 20% of the interest paid by you on your mortgage up to a maximum of €10,000 interest paid.

#### **Example 1:**

Interest Paid: €10,000

Eligible Amount as a First Time Buyer: €10,000

Relief Rate for First Time Buyer: 20%

Relief to be granted is calculated as: €10,000 \* 20% = €2,000

Monthly TRS based on above figures: €2,000/12 = €166.66 per month

#### **Example 2:**

Interest Paid: €12,000

Eligible Amount as a First Time Buyer: €10,000

Relief Rate for First Time Buyer: 20%

Relief to be granted is calculated as: €10,000 \* 20% = €2,000

Monthly TRS based on above figures: €2,000/12 = €166.66 per month

#### **Example 3:**

Interest Paid: €8,000

Eligible Amount as a First Time Buyer: €8,000

Relief Rate for First Time Buyer: 20%

Relief to be granted is calculated as: €8,000 \* 20% = €1,600

Monthly TRS based on above figures: €1,600/12 = €133.33 per month

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### **Changes from 1st May 2009**

#### *First Time Buyers [FTBs]*

If you are a First Time Buyer, i.e. are in receipt of mortgage interest relief for less than 7 years, you will continue to receive TRS until the end of the 7th

year. This includes those mortgage holders where 2009 is the 7th year of relief.

#### *Non First Time Buyers [non FTBs]*

If you are a non-first time buyers i.e. you have been in receipt of mortgage interest relief for more than 7 years it would appear, in the absence of detailed information, that you are no longer eligible for mortgage interest relief from 1st May 2009.

#### *First Time Buyers [FTBs] and Non First Time Buyers [non FTBs]*

If you are a first time buyer and the other party to your loan is a non first time buyer who ceased to be eligible for relief from 1st May 2009 , you will receive your full ceiling of €10,000 for 2009 while the non first time buyer will receive a ceiling of €1,000 in respect of the first 4 months of the year. This equates to 4/12 of the annual ceiling of €3,000.

#### **Relief Rates:**

Maximum Relief Rates				
Status	Years	Ceiling per Year	Maximum Relief	Relief rate per year
First Time Buyer	1 and 2	€10,000	25%	€2,500
First Time Buyer	3,4 and 5	€10,000	22.5%	€2,250
First Time Buyer	6 and 7	€10,000	20%	€2,000
Non First Time Buyer	All 7 years of loan	€3,000	15%	€450

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#### **Example 1**

Keith took out a qualifying home loan to purchase a house in 2001 for €200,000. Keith has had the benefit of tax relief on the interest paid on this loan for

- the tax years from 2001 to 2008; and
- for the period 1st January 2009 to 30th April 2009 (subject to one third of the yearly limit on interest relief for the 2009 tax year).

*As he has already had the tax relief for 7 tax years, he is no longer entitled to the relief from the 1st May 2009.*

### **Example 2**

Mary, a first-time buyer takes out a qualifying home loan to purchase a house in 2006. She switches lender in 2010 in order to obtain a better interest rate.

*She is entitled to the tax relief for the seven tax years 2006 – 2012 and so retains her entitlement to tax relief until 2012 as switching mortgage provider will not affect entitlement to the tax relief.*

### **Example 3**

John took out a qualifying home loan for €350,000 in 2001. The balance outstanding on the mortgage at 1 September 2009 is €150,000 at which stage John re-mortgages for €250,000. €150,000 of the new loan is used to pay off the existing mortgage and €100,000 is used in the building of a house extension.

*John has had the benefit of tax relief on the interest paid on the original mortgage from 2001 until 30th April 2009 at which stage he is no longer entitled to the relief on such interest (as he has already had the tax relief for 7 tax years). John will be entitled to tax relief from 1 September 2009 for the tax years 2009 to 2015 on the interest on that part (i.e. €100,000) of the new mortgage that is used to build the new extension.*

### **Example 4**

Adrienne, a single individual, sells her house in October 2008 and clears her existing ten year old mortgage. In September 2009 Adrienne purchases her new residence, financed by a loan of €300,000 plus part of the proceeds of the sale of her previous home.

- *Adrienne will be entitled to tax relief on the interest paid on the new loan for the tax years 2009 to 2015 inclusive at the non-first time buyer rate of 15%.*

### **Example 5**

Agnes, a single individual, sells her house in April 2009 and clears her existing ten year old mortgage. In September 2009, Agnes purchases her new residence, financed by a loan of €250,000.

*Agnes will be entitled to tax relief on the interest paid on the new loan for the tax years 2009 to 2015 inclusive at the non first time buyer rate of 15%.*

*However, the maximum amount of interest qualifying for relief on this new loan is:*

- 2009 - €2,000 (i.e 8/12's of the annual €3,000 maximum from 1st May 2009 as she has received 4/12's relief up to end April 2009 on her previous mortgage)
- 2010 to 2015 - €3,000 per annum

### **Example 6**

Kevin took out a qualifying home loan to purchase a house in 2001 for €200,000. Kevin has had the benefit of tax relief on the interest paid on this loan for

- the tax years from 2001 to 2008 and
- for the period 1st January 2009 to 30th April 2009 (subject to one third of the yearly limit on interest relief for the 2009 tax year).

In 2007 Kevin and Julie got married. As Julie never had a mortgage before she is now a first time buyer from the year of marriage.

The position for 2009:

- *Kevin has a ceiling of €1,000 (i.e 4/12's of the annual €3,000 maximum)*
- *Julie as a first time buyer has a ceiling of €10,000*
- *This loan in total has a ceiling of €11,000 for 2009.*

As Kevin has already had the tax relief for 7 tax years, he is no longer entitled to the relief from the 1st May 2009. As a first time buyer Julie is entitled to the tax relief for the seven tax years 2007 – 2013. Therefore their ceiling for 2010 – 2013 will be €10,000.

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## **5. How are the changes being implemented?**

Revenue has implemented all of the changes relevant to the **January 2009** measures.

**In relation to changes for 1st May 2009 the following is the position:**

Revenue will only authorise the payment of Mortgage Interest Relief through the tax relief at source [TRS] system through the lenders where it is satisfied that entitlement to TRS exists.

## **First Time Buyers**

First Time Buyers who are within the first seven years of their mortgage continue to get the relief automatically until the end of the 7th year of their mortgage.

## **Non First Time Buyers**

Revenue has been working closely with the relevant lenders to identify these accounts and the amount of mortgage interest relief payable under the new rules. Where Revenue is in a position to decide with certainty from the information provided by the lender that an account holder is entitled to mortgage interest relief then the account will be reactivated for TRS by Revenue.

In the case of non First Time Buyer accounts where it is still not clear that they are entitled to mortgage interest relief, Revenue has commenced writing to the account holder and will complete this process during the month of May. A prompt reply will ensure that where there is an entitlement to mortgage interest relief then it will be restored as quickly as possible.

There are 34,000 non first time accounts who have been clearly identified as having a continued entitlement to mortgage interest relief and they will have their relief recommenced in June. Any arrears of mortgage interest relief due back to 1<sup>st</sup> May will be paid automatically through the TRS system.

A further 134,000 accounts require clarification. Revenue needs additional information from the account holder and Revenue is presently writing to account holders. **Unless you receive a letter from Revenue you do not need to do anything.**

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## **6. What must I do if I get a letter from Revenue regarding mortgage interest relief ?**

If you are satisfied that you are no longer eligible for Mortgage Interest Relief through tax relief at source [TRS] i.e. you have received mortgage interest

relief for 7 years or more on your current loan (or in combination with an original loan if you have switched lender), you do not need to do anything now as you are no longer entitled to TRS. Your entitlement to mortgage interest relief came to an end on the 30<sup>th</sup> April.

However, if you have an entitlement to mortgage interest relief, you need to submit your information online using a [TRS recommencement form](#) to have your mortgage interest relief recommenced.

Follow the simple steps online and submit your information. Repeat this process for each loan you wish to recommence.

Revenue will recommence payment of mortgage interest relief through tax relief at source [TRS] where eligibility is established.

## **7. What should I do where I do not get a letter from Revenue regarding the recommencement of the payment of my mortgage interest relief through tax relief at source [TRS]?**

At this stage you do not need to do anything. Revenue are issuing circa 134,000 letters. However, if you do not receive a letter in the near future, it will be because

- (a) You are a First Time Buyer and have remained in receipt of trs throughtout this process **or**
- (b) Your loan is no longer eligible for TRS purposes and has beed ceased.


Letters will not issue in either of the above instances.

## 8. How do I apply for Mortgage Interest Relief ?

The most efficient way to claim mortgage interest relief on your home mortgage is to complete the application form online. It is sufficient for a married couple to submit their details online on the same application or by completing one TRS1P application form. In all other cases of joint borrowings, each claimant should submit their details online separately or complete separate TRS1P application forms. [Apply Online](#)

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## 9. How do I obtain the TRS1P form?

The TRS1P form is available (1) by downloading the form:  [TRS1P form \(PDF, 169KB\)](#) , (2) from your mortgage lender or (3) by telephoning the TRS Helpline on **1890 46 36 26**.

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## 10. When should I apply for TRS?

You should apply online or complete the TRS1P application form as soon as you have commenced repayments on your loan. However, you may need to re-apply to Revenue in certain circumstances:

- if you take out a top-up mortgage on your main residence
- if you transfer/switch lender and the date the original loan was taken out is within the last 7 years. The period of 7 years for the purposes of calculating the entitlement to relief begins from the date the original loan was taken out with your lender. Switching lender or mortgage type to achieve a better interest rate does not equate to a new loan. However, moving home and taking out a new mortgage for this home with a new or existing lender is eligible for relief for 7 years from the date of first payment on the new home loan
- if you re-mortgage with the same lender or
- if you take out a mortgage in respect of your separated/divorced spouse and/or dependant relative.

If any of these circumstances occur, you should apply as soon as possible after repayments have commenced on your loan. [Apply Online](#)

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## 11. How long does it take for TRS to commence on my mortgage?

It can take a period of up to 8 weeks for mortgage interest relief to be applied to your mortgage by your lender as your mortgage details have to be processed and advised to your lender in advance. (If you apply during the year in which you take out the loan, your lender will pay any arrears due to you in that year.) [Apply Online](#) .

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## 12. Do I need to apply for TRS every year?

No. If your mortgage remains the same, your lender will continue to apply the relief automatically each year.

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## 13. What ceilings are available for TRS relief?

The ceilings that are available for mortgage TRS, are dependant on the status of the individual, that is, whether they are married or single and whether they are first time buyers or not.

### Ceilings for Mortgage TRS

Status	First Time Buyers:	First Time Buyers:	All Others:
	01/01/2007 - 31/12/2007	From 01/01/2008	From 01/01/2007
Single Person	€8,000	€10,000	€3,000
Married/Widowed	€16,000	€20,000	€6,000

The higher limits for first-time buyers apply for the tax year in which the mortgage is taken out plus six subsequent tax years.

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## 14. I am not working. Am I entitled to TRS?

Yes. The introduction of mortgage TRS extended mortgage interest relief to non-taxpayers. Since 2002, you do not have to be earning a taxable income to be eligible for TRS.


## 15. What do I need to do if I change the current account which my mortgage payment is made from?

If your lender pays your TRS by way of a credit into the current account, you should contact them to ensure that they have the correct current account number on record. You do not need to notify Revenue.

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## 16. How do I claim for previous years?

The Finance Act 2003 introduced a new time limit for claiming tax repayments. From 1st January 2005 the overall time limit is being reduced from 10 years to 4 years. Claims made on or after 1st January 2005 will be subject to the 4-year time limit.

In 2009, to claim for years 2005 to 2008 (inclusive), you will need to complete a  [Claim for Prior Year\(s\) Mortgage Interest Relief - TRS1P form \(PDF, 169KB\)](#) and send it to: Office of the Revenue Commissioners, Collector Generals Division, TRS Section, Sarsfield House, Francis Street, Limerick (Freepost). **Any claims for 2009 cannot be dealt with until 2010.**

Please note it is not currently possible to make a prior year claim online.

Do not attach the certificates of interest with this claim.

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## 17. I own two properties which I split my time between for work commitments. Can I claim TRS on both?

No. In this case, you should nominate which property is your principal private residence and claim TRS on that mortgage.

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## **18. I have an Investment property. Can I claim TRS on this property?**

No. Mortgage TRS only applies to a loan, which is in respect of your principal private residence. You should not complete a TRS1P form for an Investment property. Mortgage relief for rental properties is available through the tax system and you should contact your local tax office. If the property you have is an investment property and you are receiving mortgage TRS you should advise Revenue immediately on the TRS Helpline 1890 46 36 26.

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## **19. I will be moving away for work and intend to rent my house out, can I still claim TRS?**

No. As the house would no longer be your principal private residence, you would not be entitled to mortgage TRS. See previous question for details of how to claim, once the property has been rented out. You should advise Revenue at 1890 46 36 26 where your principal private residence has been rented in order for Revenue to cease mortgage TRS.

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## **20. What are the implications for my TRS relief if part of my mortgage is used to finance non-house expenditure i.e. holiday, car, education etc?**

The full interest incurred by you will not be eligible for TRS in this instance. You will be obliged to calculate the proportion of the mortgage that is

applicable to your home, and insert this percentage on the box provided on the TRS1P form.

For example, let's assume you borrowed €200,000, and €30,000 is being used for non-house purposes, the percentage of your loan that qualifies for TRS can be calculated as follows:

**Total amount borrowed = €200,000**

**Amount used on main residence = €170,000**

**Percentage of loan eligible for TRS = €170,000 divided by €200,000 X 100 = 85%**

You must insert 85% in the 'qualifying percentage' box on the TRS1P form.

This has the effect of preventing mortgage TRS being applied on the interest incurred on the motor vehicle.

[Click here to Apply Online](#) or to adjust your percentage qualifying.

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