

March 2022

DEDUCTIONS ON INCOME FROM PRIVATE REAL ESTATE

SOURCE: NEW CIRCULAR N.7/2020 of Canton Ticino, April 2020

(Annuls ad replaces the circular no. 7/2019 of November 2018)

As a result of the total revision of the Federal Energy Act of 30 September 2016 as well as the adaptation of the Ticino cantonal tax law with the introduction of the new Art. 31 para. 2bis ([see here in Italian language](#)), Circular no. 7/2020 ([see here in Italian language](#)) includes and illustrates the following tax benefits in force from 1 January 2020:

1. deductibility of demolition costs for the construction of a replacement building
2. the possibility of carrying forward the costs of investments in energy saving and environmental protection, including demolition costs, to the following two tax periods if these costs cannot be fully taken into account in the year in which they were incurred (Art. 32 para. 2bis LIFD and Art. 9 para. 3bis LAID).

The Ordinance on the deduction of private property costs in the context of direct federal tax ([Ordinance on real estate costs, see here](#)), has been completely revised with the introduction of new terms such as "demolition costs" and "replacement property" into the Act, while the concept of investments in energy saving and environmental protection has not changed (see Art. 1 Ordinance).

This article briefly deals with the investments for energy saving and environmental protection listed in point 10 of the new circular of the Canton of Ticino.

It should be noted that expenses net of any cantonal and/or federal subsidies can only be deducted if incurred in relation to buildings whose construction is considered to be completed in all components and whose profitability is given (existing construction and not new construction project). The deduction, on the other hand, must be excluded in the context of the reconstruction and total renovation of buildings.

Below is a non-exhaustive list of energy saving measures that are tax deductible in the Canton of Ticino and whose costs net of any subsidies can be carried forward to the next two tax periods.

Source: Article 10 of the aforementioned circular of the Canton of Ticino:

- a) measures to limit the loss of energy from the building envelope, such as:
1. thermally insulating floors, walls, roofs and ceilings from the external climate, from unheated rooms or from the ground;
 2. replacing windows with others, better in terms of energy profile;
 3. sealing the draughts;
 4. install unheated partition walls;
 5. replace shutters or roller shutters;

- b) measures for the rational use of energy in domestic installations, such as:
1. replacing the heat generator, except for replacement with a fixed electric resistance heating system;
 2. replacing the water heater, except for the replacement of a directly heated water heater with a central water heater;
 3. connect to a remote thermal supply system;
 4. install thermal pumps, thermoelectric coupling systems and systems for the use of renewable energy);
 5. install and replace systems intended primarily for the rational use of energy, such as: - control devices, thermostatic valves for heaters, circulation pumps, fans; - insulation of pipes, taps or boiler; - metering devices to record consumption and optimise the operation of the systems, - systems for counting heating and hot water costs;
 6. chimney hood restoration in conjunction with the replacement of a thermal generator;
 7. recover heat, for example heat produced by ventilation or air conditioning systems;
- c) investments for energy economy analysis and the elaboration of energy optimisation plans;
- d) investments for the replacement of household appliances with high electricity consumption, such as cookers, ovens, refrigerators, freezers, dishwashers, washing machines, lighting systems.

Also tax-deductible are the insulation works (on the roof, facades, windows, garage) and the costs for the replacement of an oil heating system with a new one with reduced consumption.

For the sake of completeness, please refer to the cantonal websites that provide information and the appropriate forms on the applicable procedures:

- <https://www4.ti.ch/dt/da/spaas/uacer/temi/risparmio-energetico/sportello/formulari/incarto-energia/incarto-energia/>
- <https://www4.ti.ch/index.php?id=34457>
(The TicinoEnergia association provides a complete overview of federal and cantonal incentives in the energy sector and is available for free orientation advice.

For further information on the above, please do not hesitate to contact us

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