

Gift and inheritance tax in Ireland

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The Irish system

- Ireland has an “acquisitions tax” – Capital Acquisitions Tax (“CAT”)
- Introduced in 1976 but not copied from the UK
- CAT comprises a gift tax and an inheritance tax
- The recipient pays the tax – not the estate
- Each recipient has a lifetime tax free amount
- The tax is a single rate of 33%
- Tax residence determines the charge not domicile (since 1999)

The Irish system – *continued*

- Tax free thresholds are:

	EUR	Relationship
Class A	310,000	Child
Class B	32,500	Brother/sister, nephew/niece, grandchild
Class C	16,250	All other

- Transfers to a discretionary trust are taxed on appointment from the trust
- Discretionary trust tax – 6% initial and 1% annual
- We have
 - Business property relief (copied from the UK relief) (90%)
 - Agricultural relief (90%)
 - Dwelling house exemption (100%)

2008 - 2017

Two main changes

- In 2008, the tax rate was 20%
 - In 2017, it is 33% **(+65%)**
- In 2008, the Class A tax free threshold was €521K
 - In 2017, it is €310K

Examples

	'000	'000
Parents – estate with 3 children	2,000	4,000
CAT @ 33% for each child	<u>118</u>	<u>338</u>
Total tax of family	<u>354</u>	<u>1,014</u>
Tax as % of estate	18%	25%
UK IHT would be	<u>540</u>	<u>1,340</u>
Tax as a % of estate	<u>27%</u>	<u>34%</u>

The key differences

	UK	Ireland
Basis of charge	Domicile	Residence
Taxed on	Estate	Recipient
Tax free	<u>£325k</u>	<u>€310k</u> (per child)
Tax rate	40%	33%
Gift tax	None	Full
Discretionary trusts	Advantages	No advantage

Planning

No magic solutions

The “stats”

- CAT yield is currently €431million
- 5 year projections are €450m – €534m
- The €431m is split
 - Inheritance tax 91/92%
 - Gift tax 8/9%
- CAT represents **0.88%** of expected tax yield in 2017

The “stats” (cont’d)

- The number of taxpayers who paid CAT is 20,000 per annum

2016	19,898 cases
2015	22,451 cases
2014	19,441 cases

- In 2016, CAT was collected

Group A – €310,000	164m
Group B – €32,500	195m
Group C – €16,250	73m

How many pay CAT?

- Total Irish taxpayers in 2016 = 2.4 million
- Total who pay CAT = 20,000 cases
- = 0.8% of taxpayers

Our policy?

- **2009 Commission on Taxation Recommendation**
 - Reduce business/agricultural relief to 75% (from 90%)
 - Monetary cap of €3m on business/agricultural relief
- **Programme for Government**
 - We will increase the Class threshold to €500K

The Irish Public Mood

- No public outcry
- No lobbying
- Not on the agenda?

Thank you.