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SOLICITORS & TAX CONSULTANTS

IPAV Valuation conference 2023

IPAV 2022 Conference

- Limited interest /right to reside
 - Exclusive use – 10%
- Family Transfer – CGT & CAT
 - Deemed market value on parent
- Capital losses
 - Signing of contract
- Probates – double tax exposure
 - uplift between DOD and valuation date.

CAT mitigation

Loan
arrangements

Agricultural
Relief

Dwelling
House Exemption

Business
Assets Relief

Capital Acquisitions Tax

- CAT applies on gifts and inheritances between individuals
- Where any one of the following are met
 - Disponer (giver) is resident in Ireland
 - Beneficiary (receiver) is resident in Ireland
 - Asset is situate in Ireland
- Revenue have taxing rights



Threshold amounts

- 33%
- Class A - €335,000
- Class B - €32,500
- Class C - €16,250
- Majority CAT collected under class B

Dwelling House

- Transfer of value ignored for CAT purposes
- Beneficiary does not have interest in other dwelling house at date of inheritance
- Has lived in the property with donor for three years prior to the transfer
- Inheritance only
- Dependant relative



Agricultural Relief

- Value transferred reduced by 90%
- Asset - Agricultural property
- Beneficiary - “Farmer” test
- 80% assets after gift / inheritance must comprise Agricultural assets
- Put to agricultural use, worked or rented to commercial farmer
- Woodlands
- Clawbacks
- Income tax relief



Business Assets Relief

- Value transferred reduced by 90%
- Asset – Relevant business property
- Owned for 6 years/2 years
- Excepted assets – assets held by company not used for trade.
- Clawbacks

Generation Skipping

Skip to next generation

- Suitable where class A threshold is exhausted and child is comfortable.
- Child will pay 33%. Then next generation will pay 33%.
- Gift directly to next generation skipping child.
- Parent gift child €600,000 – child pay 33%, left with €400,000.
- Child dies leaves to next generation who pay 33% - €120,000. €280,000 left.
- Go direct to miss a tax charge.



Loan from Parents

Don't gift – arrange loan

Free use of money

- Child takes property but owes parents the value of €500,000
- No gift until loan is forgiven
- Child has free use of money
- Rate offered on deposit in the market place
- Assume 1%
- Annual benefit of €5,000

Loan from Parents

CAT issues

- Child repays the loan – no tax
- Child doesn't repay the loan – CAT arises when loan term ends and repayment not made
- Child doesn't repay loan – Parent dies - loan becomes asset of the estate. Executors don't collect - loan becomes inheritance.
- CAT delayed until future
- Child has use of the asset in the meantime

Commission on Taxation

- The commission recommends.....
- The transfer of assets on a death is treated as a disposal for CGT purposes
- CGT Principal Private Residence Relief should be restricted over time.
- Substantially reducing the CAT Class A threshold, bringing the Class A threshold closer to the Class B and Class C thresholds.
- Agricultural and Business Relief available for CAT be reduced and that the qualifying conditions for both reliefs be amended to incentivise, and ensure active participation in the farm or business by the recipient.



Alternative Budget

- CGT – 40%
- CAT – 36%
- Class A reduce €300,000
- Wealth tax 1% over €1m
- Stamp duty 2% over €700,000
- Stamp duty 5% over €1m
- Stamp duty 12.5% commercial
- 2nd home charge - €400
- 3% solidarity tax on income in excess of €140,000
- Reduce tax credits for over €100,000



Small Gift Exemption

- Individual can take a gift of €3,000 annually without being subject to CAT
- Grandparents, four children, all married, each couple with three children
- Eight adult individuals with in laws
- Twelve grandchildren
- Twenty individuals - €3,00 each - €60,000 gifts
- Christmas 2023 and New year 2024 - €120,000
- Each Grandparent - €250,000 - one week
- No tax declaration



Contact

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