

CAPITAL ACQUISITIONS TAX

General

Capital Acquisitions Tax (CAT) comprises of both gift and inheritance taxes. The tax applies when a person becomes beneficially entitled to property, either by way of a gift or on a death, for less than full consideration. Gifts or inheritances taken on or after 5 December 1991 are aggregated with later gifts or inheritances received under the same group threshold in order to arrive at the amount of tax payable. The charge to CAT for gifts or inheritances taken on or after 1 December 1999 is residence based and will generally arise on the entire property received where the donor or the beneficiary is resident or ordinarily resident in Ireland. If neither the donor nor the beneficiary is resident or ordinarily resident in Ireland, the charge is only in respect of the property which is situated in Ireland. Gifts or inheritances received before 1 December 1999, and gifts and inheritances received from a trust existing on 1 December 1999, are generally subject to the old rules which related to domicile.

Tax-free thresholds

For the purpose of Gift and Inheritance Tax, the relationship between the person who provided the gift or inheritance and the person who received the gift or inheritance determines the maximum tax free threshold (group threshold). There are three categories of group threshold which apply to gifts or inheritances on or after 8 April 2009 as follows:

Group A	Applies where the beneficiary is a child or minor child of a deceased child of the donor, or the foster child of the donor subject to certain conditions. This threshold also applies to inheritances taken by a parent from a deceased child, subject to certain exceptions.	€434,000
Group B	Applies where the beneficiary is a lineal ancestor, lineal descendant (other than a child, or minor child of a deceased child), a brother, sister, or a child of a brother or sister of the donor.	€43,400
Group C	Applies where the beneficiary is not related as outlined for group A or group B.	€21,700

Rate

The current rate of tax for gifts and inheritances is 25%. Tax is applied to the amount of the gift or inheritance in excess of the tax-free threshold. Tax is calculated on the total of gifts and inheritances received on or after 5 December 1991 within the same group threshold.

Main exemptions and relief's

There are a number of relief's and exemptions such as:

- the first €3,000 of gifts taken by a donee from any one donor in a calendar year
- an exemption from CAT for gifts and inheritances between spouses
- an exemption from CAT for transfers of property under the Family Law Acts 1995 & 1996

- an exemption from CAT for a gift or inheritance consisting of a dwelling house that is the only or main residence of the beneficiary, subject to certain conditions
- a 90% reduction in the market value of business and agricultural assets, subject to certain conditions
- gifts or inheritances for public or charitable purposes

Discretionary trusts

There is a once-off levy of 6% on certain discretionary trusts. This can be reduced to 3% in certain circumstances. The levy becomes payable on the latest of the date property is placed in settlement, the date of death of the settlor, or the date on which the youngest principal object of the trust attains the age of 21.

Self assessment

Self assessment applies to gift and inheritance tax. The recipient of any gift or inheritance is obliged to make a return, within four months of the date of the benefit, where 80% of the group threshold is exceeded and, where liable to tax, to pay the tax due. The donor of a gift or a person creating a lifetime discretionary trust may be obliged to make a return. Discretionary trusts liable to the once-off levy are liable to an annual levy of 1%.