

What is [Inheritance Tax/ Gift Tax or Capital Acquisition Tax \(CAT\)](#)?

A tax payable by the recipient of either a gift or an inheritance which currently stands at 30% since the 7th December 2011.

The taxable amount depends on the relationship of the donor and the recipient; there are three groups' thresholds at present.

Group A – Parent to a Child, includes adopted children, step children and certain foster children. Threshold currently €250,000

Group B – Brother, sister, niece, nephew, blood relative. Threshold currently €33,208

Group C – Applies to all other cases. Threshold currently 16,604

These Thresholds generally change with each budget and are effective from that night. Where the gift or inheritance is in excess of the Threshold depending on the relationship, CAT will apply to the excess at 30%.

How can I reduce my [Capital Acquisition Tax Liability](#)?

There are a number of reliefs available to help reduce the Capital Acquisitions Tax liability.

1. [Agricultural Relief](#) – the value of the gift or inheritance is reduced by 90% if the recipient satisfies the “farmer test”. This simply means that if the value of your agricultural assets after taking the gift or inheritance is 80% or more of your total assets, then you can avail of agricultural relief.
2. [Business Relief](#) – the value of the gift or inheritance is reduced by 90%, if the recipient satisfies 3 conditions, which are:
 - a. Gift or inheritance taken after the 11 April 1994.
 - b. Must be relevant business property.
 - c. The donor or spouse of the donor must have owned the assets for 5 or more years prior to the gift or inheritance.
3. [Favourite Nephew/Niece Relief](#) – has the effect of putting the recipient into Group A instead of B where certain conditions are met.

The recipient should be aware that these reliefs will be clawed back and tax will be payable if the asset is sold within 6 years of the gift or inheritance.

Are there any [Tax Exemptions](#) applicable?

There are a number of exemptions available whereby no tax will be payable.

1. Spousal Exemption – no tax liability on gifts or inheritances between spouses.
2. First €3,000 is exempt annually, can apply to any number of donors, **applies to gifts only**.
3. Dwelling house exemption – main condition, must have lived in the house as their principal residence for 3 years prior to the gift or inheritance.
4. Inheritances taken by parents on the death of a child are exempt if the child had received a non exempt gift in the previous 5 years.

This is only a brief outline of the workings, reliefs and exemptions available to a recipient.

When planning to give a gift all taxes should be reviewed, as Capital Gains Tax may arise for the donor and [Stamp Duty](#) can arise on many assets for the recipient.

Always take professional advice when making a will or giving a gift and avail of the best possible tax relief relative to your circumstances.

Further information on the reliefs and exemptions available are on www.revenue.ie or please contact [Linda Scott](#) on 049 4371211.

