WHAT IS CAPITAL ACQUISITIONS TAX?

TaxAssist Accountants

The Accountancy and Tax Service for Small Business

WHAT IS CAPITAL ACQUISITIONS TAX?

CAT is more commonly referred to as Gift Tax or Inheritance Tax. A gift is a benefit received from someone who is alive whereas an inheritance is a benefit taken from someone who is deceased.

Items regarded as a gift or inheritance include:

- Cash
- Jewellery or a car
- House or lands
- Stocks and shares
- The free use of a house for life
- An interest free loan

The benefit (the gift or inheritance) is taxed if its value is over a certain limit or threshold. Different tax-free thresholds apply depending on the relationship between the disponer (the person giving the benefit) and the beneficiary (the person receiving the benefit).

There are also a number of exemptions and reliefs that depend on the type of the gift or inheritance.

If you receive a gift or inheritance from your spouse or civil partner, you are exempt from Capital Acquisitions Tax.

You do not pay CAT on a gift with a value of €3,000 or less from any one person in any one year. This does not apply to inheritances.

The tax applies to all property that is located in Ireland. It also applies where the property is not located in Ireland but either the person giving the benefit or the person receiving it are tax resident in Ireland.

TAX FREE THRESHOLDS

Gifts and inheritances can be received tax-free up to a certain amount. The tax-free amount, or threshold, varies depending on your relationship to the person giving the benefit. There are three different categories or groups.

Group A

Group A applies where the beneficiary, the person receiving the benefit, is a child of the person giving it. This includes a stepchild or an adopted child. It can also include a foster child if certain criteria are met.

Group B

Group B applies where the person receiving the gift/inheritance is the:

- Parent
- Grandparent
- Grandchild or great-grandchild
- Brother or sister
- Nephew or niece of the giver

Group C

Group C applies to any relationship not included in Group A or Group B. The above are the general rules and there are some exceptions which can be utilised. For example, If a grandchild is under 18 years of age and takes a gift or inheritance from his or her grandparent Group A may apply if the grandchild's parent is deceased.

Current CAT Thresholds

From October 2016

Group A	€310,000
Group B	€32,500
Group C	€16,250

TAX RATE

Capital Acquisitions Tax is charged at 33% on gifts or inheritances. This only applies to amounts over the group threshold.

For example, if you have received gifts from your parents with a taxable value of €750,000, you only pay tax on the amount over the appropriate group threshold (Group A threshold from 12 October 2016: €310,000). So, €440,000 is taxed at 33%.

Top Tip

Depending on the type of gift, there are exemptions and reliefs. Speak to us today to find out if you can avail of these.

TAX RETURN & PAYMENT

You must make a tax return if the total value of gifts and inheritances you have received in one of the groups, A, B or C, since 5 December 1991 is more than 80% of the tax-free threshold for that group.

For example, if you received a gift of €15,000 from a sister and then an inheritance of €12,000 from a grandparent, both of these benefits would come under Group B and amount to a total of €27,000. The threshold for Group B is currently €32,500 and 80% of this is €26,000. Because the benefits you received exceed 80% of the tax-free threshold for Group B, you are required to make a tax return even though the total amount received is below the threshold.

All gifts and inheritances with a valuation date in the 12-month period ending on the 31 August must be paid and filed by 31 October.

For example, if the valuation date is between 1 January and 31 August

TAX RETURN & PAYMENT

2018, you must complete the tax return and pay the tax on or before 31 October 2018. If the valuation date is between 1 September and 31 December 2018 you must complete the tax return and pay the tax on or before 31 October 2019.

CAT Returns must be filed electronically using the ROS services. In limited circumstances a paper return can be filed.

How We Can Help

We can help you to calculate any liability to Capital Acquisitions Tax that you may have and also ensure that the appropriate tax returns are filed on time and in full with The Revenue Commissioners to ensure that you avoid any interest and penalties.

We can also assist you with any tax planning you may want to undertake in order to minimise any exposure your next of kin may have to CAT once the time comes to pass on your assets/estate.

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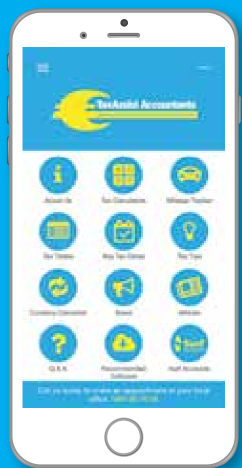

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At TaxAssist Accountants we aim to make tax simple and easy to understand – because it should be.

To avail of a free initial consultation get in contact today on 1890 98 76 09

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