



Introduction

Planning for future tax liabilities and in particular gift and inheritance taxes play an integral role in the long term preservation of wealth within families.

Under the current tax regime, up to 25% of your net wealth could be payable to Revenue on your death and it is likely that this cost will increase in the near future. The National Recovery Plan and the political manifestos of both Fine Gael and Labour all included increases in capital gains tax and capital acquisitions tax (gift/inheritance tax) rates. It is also intended to broaden the base for CGT and CAT from 2012. This is likely to involve introducing a system of different rates for different levels of gains, reducing tax free thresholds and the restriction of reliefs.

The CAT 2011 tax free thresholds are:-

Group	Relationship to Disponer	Group Threshold
A	Son/Daughter	€332,084
B	Parent/Brother/Sister/Niece/Nephew/Grandchild	€33,208
C	Persons other than (A) and (B)	€16,604

It is likely that the Pre-Budget Outlook which is to be published by the end of October will provide some insight into the fiscal measures to be taken in 2012 as well as the Government’s medium term plans generally with regard to fiscal consolidation measures. Of particular significance to a family owned business is the proposal to either abolish or greatly restrict certain reliefs and exemptions from CGT and CAT.

If business relief and retirement relief were to be abolished the tax payable on the transfer of shares in a family company valued at €10 million which previously qualified for full reliefs could increase by €2.25 million.

In light of the above, now is an opportune time to consider making lifetime gifts to children in order to avail of the current tax rates, CAT tax free thresholds and reliefs.

If your estate comprises of assets which do not qualify for business relief, you should also consider a transfer to avail of the current tax free thresholds.

Purcell McQuillan Tax Partners would be happy to assist and would welcome an opportunity to meet with you to discuss any proposed transfers of wealth to the next generation. Should you wish to discuss any point in this memorandum or meet with us please speak with your PMQ contact.

This memorandum is intended as a guide to some of the CGT/CAT legislation. It does not purport to provide comprehensive tax advice and no steps should be taken in reliance on these notes without first obtaining detailed tax advice.

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