

SMALL GIFTS EXEMPTION

LIFE ADVISORY SERVICES

We recommend that your client seeks professional tax and legal advice as the information given is a guideline only and does not take into account your client's particular circumstances.

Capital Acquisitions Tax / Gift Tax legislation allows for an exemption from Gift Tax for the first €3,000 of any gift taken by a beneficiary from any one 'donor'.

The €3,000 is an annual limit.

What this means is that a beneficiary can receive up to €3,000 tax free in any one year from any donor, or even multiple donors, and this gift will not impact on their appropriate Group tax free threshold.

A practical application for this would be if adult children decided to financially assist their parents by giving them a gift of cash. **Each child could gift each parent up to €3,000 per annum tax free.** And the parent's available Group 2 threshold would NOT be reduced.

A more common use for this 'small gifts exemption' is for grandparents, aunts and uncles to gift money to children. **Each adult can gift each child up to €3,000 in any year with no tax liability for the child** and without the amount of the gift reducing the child's tax free threshold.

A key element of this is that the ownership of the money comprising the gift has to clearly pass to the beneficiary, i.e. into a bank account in the beneficiary's name.

Where the money is given to an adult, i.e. a child gifting to a parent, this is not generally an issue, because most adults will have a bank account of their own, or if they wish they can effect a life assurance savings plan to accept the cash injections.

Where the beneficiary is to be a minor child this is a little bit more complicated.

Irish Life can provide you with a solution to this problem.

Because the minor child cannot enter into a contract themselves, they cannot be the proposer on a life assurance contract. For this reason, the adult (or one of the adults) who wants to gift the child €3,000 per annum, is the proposer / policy owner on a regular savings plan, such as Pinnacle. The child is the life assured. As soon as the policy is issued the ownership of the contract is altered to the child, using a Deed of Assignment. Irish Life can provide you with such a Deed.

There are some charges on this transfer of ownership, stamp duty and exit tax. But if the change is made as soon as the policy is issued then the value of the contract, or any increase in value of the contract, which these charges are based on, will be very small so these charges will be minimal.

See our document Small Gifts Exemption Savings Plan for more detailed information on how to set these cases up.

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