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Tax Update

As we approach the end of 2013, we have highlighted a number of key dates and deadlines that may be of interest from a tax perspective.

CGT – 7 Year Exemption

In December 2011, a new Capital Gains Tax ("CGT") exemption was introduced in respect of property purchased in Ireland or any other EEA country before 31 December 2013. This exemption is available where the property is retained for 7 years or more. Therefore, if the property is sold at the end of the 7 year holding period, no CGT should arise. Where the property is retained for more than 7 years, the relief is provided on a pro rata basis e.g if the property is sold after 8 years, 7/8th of the gain would be exempt; if the property is sold after 10 years, 7/10th of the gain would be exempt, etc.

Therefore, for those interested in purchasing property for long term investment purposes, it would be beneficial to ensure the purchase takes place before 31 December 2013 in order to secure the CGT exemption. CGT is currently at a rate of 33%.

Consideration may also be given to transferring properties within families (subject to conditions) before 31 December 2013, in order for the next generation to benefit from this CGT exemption.

Cahill Taxation

Budget 2014

Breakfast Briefing

Old Ground Hotel, Ennis

16 October 2013 7.30 am

Tax Planning

With the abolition of property tax incentives, increases in capital taxes and restrictions on personal tax reliefs, "tax planning" has changed. The focus in the future, in our view, will be on wealth preservation with the likelihood that corporate ownership of investments will be the order of the day. Traditionally investments, particularly in property, were held personally, at a time when CGT was at a rate of 20% and loan finance and tax shelters were readily available.

While each case will differ, we would expect that the "home" for investment ownership in the future, particularly for those operating businesses, will be in corporate structures. We at Cahill Taxation are available to review existing structures to assess whether there is a need for restructuring for increased tax efficiencies.

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Budget 2014

Budget 2014 is due to be announced on 15 October 2013, which is two months earlier than previous years. Therefore any transactions pending between now and the Budget should ideally be completed in advance while there is certainty of tax treatment and to pre-empt any further changes in the tax legislation (in particular changes to tax reliefs).

Succession Planning

Transferring the family business from one generation to the next raises many important commercial and tax issues. Currently, by virtue of reliefs from both CGT and CAT it is possible to transfer businesses to the next generation in a tax efficient manner. However, a number of changes are due to come into effect as follows:

CGT

From 1 January 2014, where individuals are aged 66 or over, new thresholds will apply for Retirement Relief in respect of the disposal of business assets (including a farm business). For such individuals, the Retirement Relief thresholds will be reduced to €500,000 in respect of disposals to third parties (currently €750,000) and to €3,000,0000 on disposals to children (currently no limit applies).

Stamp Duty

Consanguinity relief, which reduces the stamp duty liability on transfers of commercial property between blood relatives by 50%, will cease to apply for instruments executed after 31 December 2014. Thereafter, stamp duty would be payable at a rate of 2% rather than 1%.

Where the circumstances are commercially appropriate, consideration should therefore be given to transferring the family business before the end of 2013, particularly where the individual is aged 66 or will shortly turn 66.