

Money Matters

A series of weekly articles by Quintas Experts

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MANAGING TAX

UNDERSTANDING TAXATION ISSUES FOLLOWING A DEATH

There are only two certainties in life; death and taxes. Neither is very appealing to give some thought to, but with careful planning you can minimize the liability for your loved ones.

Where you receive a benefit from somebody following their death, you are potentially liable to Inheritance Tax at 25 per cent of the value of the asset or benefits passing. Depending on your relationship to the deceased, a certain portion is currently exempt from tax:

Group A - €414,799 – a child or a parent

(in certain circumstances)

Group B - €41,481 – a parent, brother, sister, nephew niece, or grandchild

Group C - €20,740 – all other categories

These thresholds are applicable for both gifts and inheritance, and apply for the life of an individual not per benefit. Any benefits taken, in excess of these thresholds are liable to Inheritance Tax.

Reliefs and exemptions:

There are however some reliefs and exemptions that if availed of, could substantially reduce the amount of Inheritance Tax payable. The most popular are business relief and agricultural relief. Once a number of conditions are met, the value of business assets or agricultural assets can pass, with a reduced valuation of ten per cent. In the current climate with low values of assets, it might make it a good time to consider passing these assets, by gift.

Another relief is called surviving spouse relief, whereby a widow or widower can in certain situations enjoy a class A rather than a class C threshold. In other circumstances a nephew or niece can enjoy a Group A threshold rather than a Group B threshold, if certain conditions are met. This relief only applies when the assets passing are assets used in connection with a business, trade or profession.

Some benefits are completely exempt from Inheritance Tax, including assets transferred between spouses. Also there is an exemption called dwelling house relief, whereby a house, occupied by a person as his/her only or main residence for a period of at least three years immediately preceding the date of the Inheritance or gift, maybe exempt from Inheritance or gift tax. Some of the conditions attached to this relief are that the person receiving the benefit, cannot be entitled to any other dwelling house and if they are under 55 years of age, they must retain and continue to occupy the residence for a period of six years thereafter.

This article has delved into a basic description of the certainties surrounding taxation after a death, however, with careful planning in advance of the event, tax can be minimized. It is human nature to avoid planning beyond one's own death, however a quick review may reduce potential tax liabilities for your loved ones. To assist in this planning, please do not hesitate to contact a member of the Quintas Taxation Team.

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