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# Capital Gains Tax (CGT) on the sale, gift or exchange of an asset

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## Overview

If you own or part own an asset, you may sell, gift or exchange it. This is called a disposal. You may have to pay CGT on any gain that you make when you dispose of an asset.

Companies normally include capital gains in their profits for [Corporation Tax \(CT\)](#) purposes. However, when a company makes a capital gain from selling or transferring development land, it must pay CGT rather than CT on the gain.

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## What do you pay CGT on?

You have to pay CGT on gains made from the sale, gift or exchange of an asset such as:

- land
- buildings (houses, apartments, or commercial property)

- shares in companies (Irish-resident or non-resident)
- assets that have no physical form such as goodwill, patents and copyright
- currency (other than Irish currency)
- assets of a trade
- foreign life insurance policies and offshore funds
- capital payments (in certain situations).

You may also have to pay CGT on gains for other types of assets. Examples of these assets include antiques, paintings and jewellery.

In some situations, [reliefs](#) and [exemptions](#) may apply.

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## How do you pay and file CGT?

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### When do you have to pay CGT?

For disposals made between 1 January and 30 November (the initial period) you must pay CGT by 15 December of the same year.

For disposals made between 1 December and 31 December (the later period) you must pay CGT by 31 January of the next year.

For disposals made under a written contract, the time of disposal is usually the date of the contract.

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### What paperwork do you include with your payment?

You must accompany each payment with the appropriate payslip:

- Form [PDF](#) [CGT Payslip A](#) for the initial period
- Form [PDF](#) [CGT Payslip B](#) for the later period.

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### How do you file your CGT return?

You should file by 31 October in the year after the date of disposal. You must do this even if no tax is due because of reliefs or losses.

There are a number of different CGT return forms:

- [PDF](#) [Form CG1](#) – if you do not usually submit annual tax returns
- [PDF](#) [Form 12](#) – if you are a PAYE worker

- Form 11 – if you are self employed, or have income that is not taxed under PAYE
- Form 1 – for a trust or an estate
- Form CT1 – for a company.

Use [Revenue Online Service \(ROS\)](#) to file your Form 11, Form 1 or Form CT1. You can post the Form CG1 or Form 12 to your [Revenue Office](#).

## How do you pay CGT?

Use [ROS](#) or [myAccount](#) to make a CGT payment online.

## How do capital losses work?

You may have made a loss when disposing of an asset. You can use this loss against a capital gain made by you in the year that you made the loss. You can also use it against a capital gain made by you in later years.

You may have losses that you cannot use because they are less than gains made by you in that year. You can use the balance against your spouse or civil partner's gains. This will not apply if you and your spouse or civil partner make an application that this should not apply. You must make this application on or before 1 April in the following year.

## How to calculate CGT

The rate of CGT that you pay depends on the date of disposal.

You do not pay tax on the first €1,270 of your gain. After this amount you pay tax as follows:

### CGT rates

Date of disposal	CGT %
6 December 2012 – present	33%
7 December 2011 – 5 December 2012	30%
8 April 2009 – 6 December 2011	25%
15 October 2008 – 7 April 2009	22%
Up to and including 14 October 2008	20%

There are other rates for specific types of gains:

- gains from foreign life policies and foreign investment products are charged at 40%
- gains from venture capital funds are charged at 12.5% (individuals and partnerships) and 15% (companies)
- windfall gains are charged at 15%.

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## What are the rules for calculating CGT?

When calculating your CGT liability, you may deduct the following items:

- the cost of purchasing the asset
- any money spent by you which adds value to the asset (known as 'enhancement expenditure')
- costs (for example, fees paid by you to a solicitor or auctioneer) when you acquired and disposed of the asset.

You may adjust the purchase price and enhancement expenditure for inflation. This is called indexation relief.

If you gift an asset to someone instead of selling it, you still pay CGT. You should use the market value of the property at the date the gift was given to calculate your CGT liability.

If you are resident, or ordinarily resident, and domiciled in Ireland, you have to pay Irish CGT on foreign property. If you have paid CGT in a foreign country, you may be able to offset this against your Irish CGT.

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## Special rules for calculating CGT

Special rules apply if you are calculating CGT on gains made from disposal of shares. You can find details of these rules below.

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### First In, First Out (FIFO)

If you hold shares of the same class (for example, ordinary shares) which you acquired at different dates, the oldest shares are treated as being sold first.

This rule does not apply to shares sold within four weeks, which you may make a loss on. You will not be able to offset this loss against a gain made by you, however. You can only use the loss against a gain made when disposing of those specific shares.

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### Bonus or rights issues

You may receive additional shares from a bonus or rights issue. A bonus issue is where a company issues additional shares to a shareholder for no cost. A rights issue is where a company issues shares to a shareholder for a cost which is less than their market value. These shares are treated as being acquired by you at the same time as you acquired the original shares.

In the case of a bonus issue, the original cost is reduced. It is then spread between the original shares and the new shares.

Shares acquired under a rights issue are treated in the same way as shares acquired under a bonus issue. The only difference is that there is an allowance made for the amount paid to acquire the additional shares. This payment is treated as enhancement expenditure. When you dispose of the shares, part of the cost of the rights issue is allowed against those shares.

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### Shares of a different class

You may receive shares of a different class to the shares that you hold under a bonus or rights issue. An example is where you receive one new preference share for every two ordinary shares held by you. Where this happens, the treatment is broadly the same as outlined above. The only difference is that you spread the cost of the shares between the different classes.

The shares may be quoted on a stock exchange. If so, the quoted price is based on the price of the shares on the day after the bonus or rights issue. If the shares are not quoted on a stock exchange, base your calculations on the value of the shares at the date of disposal.

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## CGT reliefs

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### How does Indexation Relief work?

Indexation Relief (also known as 'inflation relief') may be claimed if you owned the asset that you are selling before 2003.

With Indexation Relief, the market value of the asset at the time you became the owner is increased. This increase is based on [PDF](#) inflation calculated by the Central Statistics Office.

#### Example 1

Niamh bought an investment property in June 1990 for €50,000. She incurred costs of €2,000 on the purchase of the property. She sells the house in 2017.

The purchase price and the costs (€52,000) are indexed by the relevant indexation factor (1.442), totalling €74,984. This sum is deducted from the sale price of the property in calculating the amount of CGT due.

In the case of land to be used for development, relief applies only to a specific value. This is the value that the land would have had at the date you became the owner if it was not development land.

Indexation relief was abolished for the tax year 2003 and subsequent years. If you began the owner of an asset in 2003 or in later years, you are not entitled to Indexation Relief on that asset.

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## Farm Restructuring Relief

You may claim relief from CGT if you dispose of farm land in order to make your farm more efficient. The first sale or purchase must occur between 1 January 2013 and 31 December 2019. The next sale or purchase must occur within 24 months of the first sale or purchase. You may also be able to claim relief where you exchanged land with another person.

Teagasc must issue a certificate in order for you to claim this relief. This certificate must state that you carried out the transaction for farm restructuring purposes.

The land that you sold or exchanged may have a higher value than either:

- the land you purchased
- the land you received in exchange for your land.

If so, the amount of relief you will be able to claim will be reduced.

You may dispose of land that you purchased or exchanged within five years of the date of purchase or exchange. If you do, you will not be able to claim Farm Restructuring Relief. This does not apply where you sell the land under a compulsory purchase order.

### Example 2

Robert sells part of his farm and buys another parcel of land in order to consolidate his holding. He made a gain of €10,000 on the sale of the land. He reinvests the entire proceeds in acquiring the other farm land.

Teagasc has issued a certificate confirming that the sale and purchase of the farm land complies with the conditions relating to farm restructuring. Robert does not have to pay CGT on the sale of the land as he reinvested all the sale proceeds in purchasing other farm land. Relief is given in proportion to the amount of the sale proceeds which are reinvested in purchasing other farm land.

If he had reinvested only half the sale proceeds in purchasing other farm land, he would have to pay CGT on half the gain (€5,000).

## Revised Entrepreneur Relief

You may claim relief from CGT if you made gains from disposing business assets. There is a lifetime limit of €1 million on the gains that you can claim relief on. Only gains on disposals made on or after 1 January 2016 are counted in the limit. This relief replaced a relief that applied for the years 2014 and 2015.

If you can claim this relief, you must pay CGT at the rate of 10% on gains from the disposal of business assets. This is reduced from the normal rate of 33%. Up to 31 December 2016, gains from such disposals are charged at 20%.

You can find full details of the relief in the [PDF](#) Revised Entrepreneur Relief manual.

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## Compensation and insurance money

If you receive compensation or insurance money, it may be treated as a disposal. You must pay CGT on this. You may defer CGT if you use the money to replace an asset. The compensation you receive reduces the cost of the asset. It can also reduce the replacement cost of the asset if you have lost it or it has been destroyed.

### Example 3

Mark receives €50,000 compensation for an infringement of copyright. He must pay CGT on this amount as it is a capital sum derived from an asset (the copyright).

### Example 4

Alison receives a payment under an insurance policy for damage resulting from a fire in a property that she owns. This is treated as a capital payment derived from an asset (the property) and she must pay CGT on it.

However, if Alison uses the payment to repair the damage to the property, she can defer the payment of the CGT. The amount of compensation that she receives will be treated as reducing the cost of the asset. The CGT will not be due on the payment until the asset is sold.

As the deferral of CGT is a relief, it must be claimed. It does not apply automatically.

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## Land or buildings acquired between 7 December 2011 and 31 December 2014

You may be due relief if you dispose of land or buildings acquired between 7 December 2011 and 31 December 2014. You must have owned the land or buildings for at least seven continuous years. You reduce the gain by the number of years that you owned the property, divided by seven years. For example, if you owned the land or buildings for ten years, the gain will be reduced by seven tenths (seven years/ten years).

### Example 5

Jane bought a house on 1 January 2012. She sells the house on 1 January 2022 and makes a gain of €30,000. She will get relief on 7/10ths of the gain (€21,000). The relief is calculated by dividing the amount of the gain by the period of ownership of the property, and multiplying that figure by 7.

You may claim the relief in respect of land or buildings in this country or in any European Economic Area (EEA) state.

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## CGT reliefs: Disposal of a business or farm

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### Disposal of a business or farm other than to your child (Retirement Relief)

If you are 55 or older, you may be able to claim CGT relief when disposing of any part of your business or farming assets. Although this is referred to as Retirement Relief, you do not need to retire from the business or farming in order to qualify.

There are certain circumstances in which you may qualify for this relief before you are 55. These circumstances are where:

- you are unable to continue farming due to ill health
- you reach the age of 55 within 12 months of the disposal.

For disposals made up to and including 31 December 2013, you can claim full relief when the market value at the time of disposal does not exceed €750,000. The threshold is reduced to €500,000 if both of the following apply:

- the disposal takes place on or after 1 January 2014
- and**
- you are 66 or older.

If the market value is more than the above defined threshold, marginal relief may apply. This limits the CGT to half the difference between the market value and the threshold.

The threshold of €750,000 (€500,000 after 1 January 2014 for persons aged 66 or older) is a lifetime limit. If you exceed this threshold, we will withdraw relief given on earlier disposals.

You can find full details of the relief, including the assets that qualify for the relief, in the [PDF](#) [Disposals of business or farm on "retirement" manual](#).

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## Disposal of a business or farm to your child

You may dispose of all or part of your business or farming assets to your child. If you do, you may be entitled to relief from CGT. Your child can include:

- a child of your deceased child
- your niece or nephew who has worked full time in the business or farm for at least five years
- your foster child whom you have maintained for at least five years.

The amount of relief that you can claim depends on your age at the time of disposal:

- up to 31 December 2013, you may claim full relief if you are 55 or older.
- from 1 January 2014, you may claim full relief if you are between 55 and 65. If you are 66 or older the relief is restricted to €3 million.

If your child disposes of the asset within six years, we will withdraw the relief. Your child must pay CGT on the original disposal by you, in addition to the CGT on their own disposal.

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## CGT exemptions

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### Personal Exemption

The first €1,270 of your gain (after deducting losses) is exempt from CGT.

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### Principal Private Residence Exemption (full or partial)

When you transfer or sell a property you will be exempt from CGT if that property was your main residence while you owned it. This exemption also applies to land, up to one acre around a house.

If you let your home at any point that you owned it, you can claim a partial exemption. The [Rent-a-Room scheme](#) does not affect your claim for full exemption.

You may sell your home and the land up to one acre around it for its development value. In this case, the exemption will only apply to the value of the house or land without its development value. You may have to pay CGT on the value of the house or land over that amount.

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## Which gains do you not need to pay CGT on?

You do not need to pay CGT on gains from:

- betting
  - lottery wins
  - prize bonds
  - sweepstakes
  - bonuses under the National Instalments Savings Scheme
  - government stocks
  - certain life assurance policies
  - moveable property (such as furniture), where the gain does not exceed €2,540
  - animals
  - private motor cars.
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## Transfer of a site from a parent to a child

If you transfer land to your child to build a house which is your child's only or main residence, you will not have to pay CGT on the transfer. For this purpose, a transfer includes a joint transfer by you, and your spouse or civil partner, to your child.

Your child includes a child whom you fostered. This must have been for at least five years before the child reached the age of 18. You must support the claim that you fostered the child by evidence from more than one person.

To qualify for relief, the land must:

- be one acre or less
- have a value of €500,000 or less.

Your child may pay CGT on the disposal of the land from you to them in two specific situations. These are where they dispose of the land either:

- without having built a house on that land

**or**

- if they have built a house on the land, having not occupied that house as their only or main residence (this must be for a period of at least three years).

This rule does not apply if the child disposes of the land to their spouse or civil partner.

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## CGT Clearance Certificate (CG50A)

You require a CG50A certificate if:

- you sell an asset on or after 25 March 2002 for over €500,000
- you sell a house or apartment on or after 1 January 2016 for over €1 million.

The buyer is obliged to withhold 15% of the purchase price from you if you do not have a CG50A Form. This is known as Section 980. The buyer will then provide you with a [PDF](#) Form CG50B. This will allow you to reclaim the amount withheld by them from Revenue at a later date.

You can apply for a CG50A using a [PDF](#) Form CG50.

To get a CG50A Form from us you must meet at least one of the following criteria:

- be resident in this country
- have paid CGT on the disposal, if it is due.

Alternatively, you can use a current Tax Clearance Certificate.