



## As one party leaves, another is left deciding 'what's next?' for inheritance tax.

### With a new coalition government now established in Ireland, talks have turned to the timely issue of inheritance tax, and whether there's the possibility of reform?

With three years behind him as Taoiseach, Leo Varadkar [raised the issue of inheritance tax](#) in one of his last interviews in June, shortly before Micheál Martin was sworn in.

He suggested, in order for children to inherit their parents' estate, the inheritance tax rate should be lowered. However, judging by comments from both Fianna Fáil and the Green Party, this level of reform doesn't seem quite as likely. New Minister for Public Expenditure & Reform Michael McGrath replied that his party will only consider cuts to the tax if the economy improves.

A recent study from Irish Life shows that the issue of inheritance tax is confusing for most, with around half of people believing that their estate will be exempt from inheritance tax. Although some families may be in for a shock, as 20% of those over 55 expect to leave an estate worth more than €500,000 to their loved ones which, depending on the number of beneficiaries, could be subject to tax.

Currently, assets worth less than €335,000 are exempt from inheritance tax, while the average price of a Dublin home is €420,000.

**€335k** Assets worth less than €335k are exempt from inheritance tax.

#### How does Inheritance Tax affect your family?

Although gifts between the Spouse or Civil Partner are normally exempt, inheritance tax does apply to other relations who might be bequeathed property, shares or jewellery. It is worth mentioning that there are a number of exemptions to this, which should be discussed with a financial advisor, including conversations around retaining the family home or agricultural/business relief.

Currently the Group 1 threshold, which includes children of the deceased, means that inheritance tax of 33% will not be payable until the amount gifted exceeds €335,000. For other family relations such as siblings or cousins/nieces and nephews, the inheritance tax threshold starts at €32,500 and €16,250 in all other cases.

As homes across Ireland have seen a huge rise in prices, it's no surprise that money paid in inheritance tax has doubled since 2010 with around €500M expected to be paid this year from estates of the deceased. Perhaps not surprisingly, 84% of people admitted to not knowing the current inheritance tax threshold, which previously stood at €542,000 before the financial crash in 2009.

Section 72 of the CAT Consolidation Act 2003, allows for families to purchase life assurance policies which can be used to pay for any Inheritance Tax bills that arise.



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**84%** 84% of people do not know the inheritance tax threshold

As Ireland is a global provider of services to both the UK and beyond, these sorts of issues will only find themselves magnified as the new government finds its feet, and conversations over Brexit are finalised. It may therefore be worth checking with your financial adviser if you find yourself working across multiple borders.

Whatever the negotiations conclude, decisions in Ireland on taxes will have to be made through the coalition's new budget however, McGrath did offer [one piece of hope](#) for those concerned about inheritance tax.

He said that his party had supported increases in inheritance tax thresholds previously and would look to further changes in the future if the circumstances were right.

"The priority now therefore, is to make sure that anyone concerned about inheritance tax understands exactly what the issues are and what options there are to resolve it. I know that myself and colleagues would be happy to help explain further." **Dick Dennieff, Managing Director, Keaney Financial Services**

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Please contact us should you require advice on this matter or other matters that affect you and your business at this time

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