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Mr Ronan Fox
Clerk to the Select Committee on Budgetary Oversight
Leinster House
Dublin 2

By email: budgetscrutiny@oireachtas.ie

30 June 2023

Taxation on Wealth and Assets

Dear Mr Fox

Thank you for your invitation to make a short written submission on Taxation on Wealth and Assets to the Select Committee on Budgetary Oversight.

We have included appendices which set out in tabular form the taxes that apply to the main types of wealth and assets together with a brief description of the rules and key reliefs that apply on the acquisition and disposal of assets.

Our submission is grounded in the work of the Commission on Taxation and Welfare whose report[1] provides a roadmap for governments' tax policy over the coming decade. The Institute welcomed many of the Commission's findings but has concerns about some of its recommendations which we outline in the attached submission.

Please contact Anne Gunnell at agunnell@taxinstitute.ie or (01) 6631750 if you require any further information regarding the matters raised in this submission.

Yours sincerely

Colm Browne
Institute President

[1] Foundations for the Future: Report of the Commission on Taxation and Welfare, July 2022.

Taxation on Wealth and Assets

1. Introduction

The starting point for the Irish Tax Institute is that the tax system should be fair, simple, stable, efficient, broadly-based across and within tax heads, and that it should support economic activity.

We agree with the Commission on Taxation and Welfare (the Commission) that there is a need to tip the balance away from taxes on labour in favour of less economically regressive taxes. In our view, these include property taxes; environmental charges, which would support decarbonisation; and a reformed VAT base.

While we agree that capital taxes should contribute to a broader base and a more equitable tax system, we have concerns about the impacts and implementation difficulties of some of the Commission's recommendations in this regard.

Although Ireland does not have a 'pure' wealth tax that applies to individual or household net wealth, sources of wealth are taxed through other means. The family home is the main form of wealth in Ireland. The latest data[2] from the Central Statistics Office (CSO) confirms that the principal private residence accounts for 52.4% of household wealth.

The Local Property Tax (LPT), which replaced the former Household Charge in 2013, was a far-reaching development in the taxation of wealth in Ireland. It is a broadly-based annual, progressive tax that commands high levels of compliance and lends stability to the tax system. In effect, it is Ireland's wealth tax and it works well.

2. The Wealth Tax Debate

In its report, the Commission on Taxation and Welfare set out the case for and against the imposition of a wealth tax before concluding that a new tax on net wealth should not be introduced without first attempting to reform Ireland's existing taxes on capital and wealth.

One of the sources cited by the Commission was an OECD report[3], published in 2018, which examined the experience of member countries that had introduced net wealth taxes. It found that while there are important similarities between a wealth tax and broad-

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[2] CSO, Household Finance and Consumption Survey (HFSC); Lydon R et al – Changes in Irish Households' Finances from 2013 – 2018, 2021.
[3] OECD Tax Policy Studies, The Role and Design of Net Wealth Taxes in the OECD, 2018.

based personal capital income taxes, net wealth taxes tend to be more distortive and less equitable.

Of the 12 OECD countries that had a wealth tax in 1990, only three still had one in 2018. The report noted that the revenues collected by these taxes have, with a few exceptions, been very low.

For example, Norway, one of the few European countries that continues to impose a tax on individual wealth, raised just 1.1% of total revenues from its wealth tax in 2019. However, over the last year, the Norwegian government has increased the tax causing some billionaires to emigrate to Switzerland, according to media reports.[4]

Closer to home, a joint research project carried out by the ESRI and the Revenue Commissioners found that a wealth tax in Ireland would have to contain few exemptions and apply from a relatively low wealth threshold in order to make a significant contribution to the Exchequer.

A tax rate of 1% applied to wealth over €1 million for a single adult (over €2 million for a couple), excluding principal private residences, farms, businesses and pensions, would raise just €53 million from 4,000 or 0.25% of households.

Applying the tax with the same exemptions but at a lower wealth threshold of €125,000 for a single adult (€250,000 for a couple) would raise €329 million from 96,000 (or 6%) households. It is noteworthy that last year, the LPT collected €500 million from 1.3 million property owners.

3. Existing taxes on the wealth of households and individuals

In the appendices to this short submission, we have compiled an overview of the taxes applying to the main types of wealth and assets together with a brief description of the tax rules that apply to the acquisition and disposal of assets and the key reliefs which may be available to taxpayers in certain circumstances.

The taxes that apply to the main types of wealth and assets include:

- Capital Gains Tax (CGT) which is payable on capital gains realised on the transfer of assets
- Capital Acquisitions Tax (CAT) which is payable on the receipt of gifts and inheritances

[4] https://www.ft.com/content/ca33dc93-78c0-4d7a-a647-cde18ab6a1fd)

- Local Property Tax (LPT) which is payable annually on the market value of residential property
- Stamp Duty which applies on the acquisition of certain assets
- Deposit Interest Retention Tax (DIRT) which is deducted at source on deposit interest paid on accounts of Irish residents
- Life Assurance Exit Tax (LAET) which is payable on any gain arising in a life assurance policy
- Income tax at the marginal rate which is payable on dividends, rental income and other income earned on investments held

These are the taxes that the Commission believes should make a larger contribution to the Exchequer. While the Institute agrees that this may be a reasonable position in the context of the need to raise taxes to meet medium term budgetary pressures, we strongly recommend pause for thought.

3.1. Tax on the transfer of assets - CAT and CGT

CAT, at the rate of 33%, is payable by a beneficiary on the receipt of a gift or inheritance of an asset, subject to any available reliefs or exemptions. Where an individual disposes of an asset, CGT is payable by that individual at the rate of 33% on any capital gain realised on the disposal of the asset, subject to any available reliefs or exemptions.

In Chapter 7 of its report, the Commission set out its recommendations for a significant reworking of the CAT and CGT rules to increase the share of taxes from capital and wealth. We have concerns about the some of these recommendations.

3.2. The transfer of assets on a death

For example, the Commission recommended that the transfer of assets on a death should be treated as a disposal for CGT purposes. As the report points out, this would represent a major change to the tax code, and the Commission accepts that it would require detailed consideration at both a policy and operational level.

Our concern is with the practical impact of this proposal: in effect, two different taxes would be levied on the same event which, in many cases, would result in the CGT payment being offset against the CAT liability. The Commission, acknowledges the complexities created by its proposal and recognises that the net revenue gain for the Exchequer is likely to be limited. Nonetheless, it believes the complexity could be managed and "*is strongly merited on horizontal equity grounds".*

On the other hand, we believe this recommendation would make the process of administering an estate difficult and costly at a very sensitive time for bereaved taxpayers, with minimal benefits flowing to the Exchequer.

3.3. Reducing the CAT Group A tax free threshold

The amount of CAT payable on the receipt of a gift or inheritance is dependent on the relationship between the person making the gift or inheritance (the disponer) and the beneficiary. For CAT purposes, there are three categories of relationships, (referred to Group A, Group B and Group C) with different tax-free thresholds applying to each group. In broad terms, the Group A threshold applies to gifts or inheritances to a child from a parent; the Group B threshold relates to family relatives (e.g. sibling, nephew, niece, grandchild); and Group C applies to all other beneficiaries of gifts or inheritances.

All gifts and inheritances received since 1991 by beneficiaries in any of the above groups must be aggregated to determine the taxable value of a current gift or inheritance with any balance above the tax-free threshold amount being taxable. In this respect, the Irish CAT regime is unique in the OECD as Ireland is the only member country that imposes a fixed 'lifetime' accumulation of wealth threshold on gifts and inheritances.

Members will recall, that when representatives from the OECD were before the Committee in November 2022, they noted that Ireland's CAT regime is best in class in respect of the fixed, lifetime threshold it imposes on the untaxed wealth that can be transferred to beneficiaries. Indeed, when the OECD Report on Inheritance Taxation in OECD Countries[5] was published in 2021, Mr. Pascal Saint-Amans, the then Director of the OECD Centre for Tax Policy and Administration, commended Ireland for its equitable lifetime approach and recommended other countries to follow suit.

The Commission recommended that the CAT Group A threshold applying to transfers from a parent to a child should be "substantially reduced" to bring it closer to the value of the Group B and Group C thresholds.

The appropriate level of the tax-free thresholds in the CAT regime is a matter for the Government. The gap between Group A and the other groups of beneficiaries is an acknowledgement of the visceral relationship that binds parents to their children. Arguments about the inequitable and regressive level of the threshold, however cogently made, are unlikely to make the Commission's proposal politically palatable for any government.

[5] OECD Tax Policy Studies, Inheritance Taxation in OECD Countries, 2021.

3.4. CGT and CAT reliefs for agricultural and business assets

The Commission recommended introducing restrictions to certain CGT and CAT reliefs relating to agricultural/ business assets and retirement. The Institute agrees that these reliefs should be subject to review but the clear policy objectives that underpin them must be carefully considered in any review process. Chief among them is the aim to facilitate the smooth transfer and continued operation of income-generating farms and businesses that create jobs all over the country.

CAT Agricultural Relief reduces the market value of agricultural property by 90% for the purposes of calculating CAT and Business Relief has the same impact on CAT treatment of business assets. These reliefs help to ensure that a CAT liability does not trigger the sale of farmland or a family business that could otherwise be passed on to be taken to the next level by a succeeding generation.

CGT Retirement Relief provides an exemption from CGT on the disposal of a business by persons aged over 55 provided certain criteria are met including the requirement that the person disposing of the business must have used the assets for business purposes (or served as a director in the company) and owned the business assets for a minimum period of time prior to the transfer.

The relief encourages the lifetime transfer of business assets to the next generation to make their mark on the development and advancement of the business. These are critical reliefs without which the lifetime transfer or disposal of many family businesses and farms would be uneconomic.

4. The CGT Rate

The Commission noted that capital taxes should be reformed to raise more revenue for the Exchequer. It also acknowledged that receipts from CGT, while growing steadily over recent years, remain far below the pre-financial crisis peak of €3.1 billion raised in 2007 when the rate was 20%. Ireland's current headline rate of CGT at 33% is high by international standards and history would appear to show that a lower rate could deliver the increase in revenue that the Commission would like to see from this most critical tax for investors.

In 2022, the revenue from CGT was €1.75 billion, up from €1.6 billion in 2021. But given the unprecedented increase in revenue across all tax heads and the level of economic growth, it is reasonable to question whether the high rate is dampening transactions in the SME sector and impeding the injection of innovation and productivity growth that a new owner could bring to a business.

Feedback the Institute has received directly from SMEs and entrepreneurs confirms that a reduced CGT rate of 25% applying to active business assets would stimulate activity and attract more external investment in indigenous businesses.

4.1. <u>CGT Entrepreneur Relief</u>

In the absence of a reduction in the headline rate, CGT Entrepreneur Relief is an ever more critical part of the business tax offering. This relief allows for a lower 10% CGT rate on business gains, subject to a lifetime limit of €1 million.

CGT is unquestionably the tax that most influences the behaviour of investors and serial entrepreneurs. However, the restrictions on Entrepreneur Relief do not allow external investors to benefit from the 10% rate, creating a significant barrier to investment in Ireland at a time when funding sources for start-ups and small businesses are at a premium. To qualify for Entrepreneur Relief, investors must spend at least 50% of their time working continuously in the businesses they invest in for a period of three years at any time prior to disposal.

The Institute endorses the Commission's recommendation that Entrepreneur Relief be extended to angel investors, subject to appropriate limits and conditions. Feedback the Institute has received from entrepreneurs suggests more angel/ venture capital investors would invest in SMEs if the working time condition for the relief was reduced. Typically, 'angel investors' mentor and support several companies at the same time and are not and will never be able to satisfy this requirement.

It makes no sense to shut out this critical avenue of external investment at a time when Ireland urgently needs to develop its indigenous sector as a counterbalance to the over dependence on the multinational sector.

5. Tax on residential property - LPT

LPT, a self-assessed tax which is payable annually on the market value of residential property, is a reliable and progressive tax that adds to the sustainability of the Irish tax system. The Institute welcomed the long overdue changes introduced in Finance Act 2021 which, in our view, will help to ensure that the LPT continues to raise much needed funds for public services in the years ahead.

Recurrent taxes raised on residential property are a feature of most mature economies. They are efficient and progressive and an effective way of raising taxes on the broadest source of wealth in the State, lending stability to the tax system.

We agree with the Commission that the tax base, rates, exemptions and deferrals should be kept under constant review to ensure that they are up to date and reflect current circumstances. But, if the LPT rate were to increase significantly, we believe it would be appropriate to allow outstanding mortgage debt to be offset when calculating the value of a residential premises, so that LPT would be a tax on the equity held in a home.

6. Pensions

Like many other jurisdictions, Ireland utilises the tax system to encourage workers in the private sector to save for retirement. In the UK, the final report from the Mirrlees Review, Tax by Design, considered the need to incentivise saving for retirement and concluded:

"While achieving neutrality between different forms of saving and investment is our general aim, there may be a good case for treating pension saving more generously. Behavioural evidence suggests that people tend not always to make decisions in far-sighted and rational ways. Individuals with inadequate retirement savings are also more likely to draw on costly state benefit programmes in retirement. Encouraging them to save in a pension when young makes this less likely."

In considering the cost of pension tax relief, account must be taken of the tax paid on the drawdown of a pension at a later date. Equity requires that people in receipt of the same income in real terms over their lifetime should pay the same amount of tax. Under the present system, those with fluctuating income pay more than those whose income accrues more evenly. From this perspective, the relief for pension contributions can be viewed as a form of income averaging rather than a tax relief.

The 2020 Report of the Interdepartmental Pensions Reform & Taxation Group noted that public service pension entitlements are generally unfunded, operating on a Pay As You Go basis, though public service employees make mandatory contributions and additional superannuation contributions towards their pension. As such, no explicit employer contributions are made annually.

The 2020 Report concluded that *"any alteration in the tax treatment of explicit contributions made by employees and employers would result in horizontal inequity if not paralleled with regard to the State's implicit contributions."*

The Institute welcomed the conclusion by the Commission that tax relief on pension contributions should be given at an individual's marginal income tax rate because these contributions are a deferral of income.

We also concur with the recommendation of the Commission that anomalies in the tax treatment of different retirement arrangements should be eliminated, as far as possible and that any further restriction on pension tax relief must be balanced against the tax treatment of unfunded pensions.

7. Financial products

The investment market has expanded exponentially over recent years with a wide array of financial investment products and platforms now available to investors. Diverse and international investment portfolios, once the preserve of high earners engaging professional brokers, are now accessible to a much broader cohort of taxpayers.

However, complex tax rules apply to financial products such as investment funds and it can be very difficult for individual taxpayers to decipher the correct tax treatment of income and gains arising on their investments. The tax rate and treatment of products can vary considerably depending on a number of factors. These include the type of investment product, tax residence or domicile position of the investor, the percentage holding or level of influence of the investor, the source jurisdiction and in certain instances whether there has been compliance with certain administrative or filing obligations.

The Institute endorses the Commission's call for an examination of the taxation regime for funds, life assurance policies and other related investment products, with the goal of simplification and harmonisation where possible; and to do so with a net revenue-raising or neutral mandate.

In this context, we welcome the review currently underway by the Department of Finance on Ireland's funds sector which will include consideration of the Commission's constructive recommendation. The Institute will be emphasising the urgent need to simplify the tax rules in this area in our response to the public consultation in the early autumn.

8. Conclusion

The Commission's report sets out a valuable roadmap for the tax policy of governments into the future. Expertise that can inform public debate on the recommendations in the report is positive and helpful. But ultimately, tax policy decisions are for the Government to make and at a time when there is such bounty for the Exchequer, strong leadership will be needed to maintain the focus on emerging and future fiscal challenges.

APPENDIX I

Overview of the taxes which apply to the main types of wealth and assets held by individuals				
Asset type	**Tax payable on acquisition of the asset**	**Tax payable during the period the asset is held by owner**	**Tax payable on gains on the sale or transfer of the asset**	**Tax payable on gift or inheritance of the asset**
Residential property	Stamp Duty at a rate of 1% applies on purchase consideration up to €1 million and 2% on excess consideration over €1 million.	LPT is payable annually on the market value of residential property. Vacant Homes Tax (VHT) applies to residential properties occupied for less than 30 days in a 12-month period.	CGT at 33% applies on the transfer of residential property. *Key relief from CGT:* • Principal Private Residence Relief	CAT at 33% applies on the gift/ inheritance of residential property. *Key relief from CAT:* • Dwelling House Exemption
Agricultural land	Stamp Duty at the rate of 7.5%. *Key reliefs from Stamp Duty:* • Consanguinity relief • Young trained farmer relief	Farming income and income from the rental of agricultural land is subject to income tax at the marginal rate, USC and PRSI. *Key relief from Income Tax:* • Income tax relief may apply to rental income earned on the long-term letting of farmland.	CGT at 33% applies on the transfer of agricultural property. *Key relief from CGT:* • Retirement relief • Spousal exemption	CAT at 33% applies on the gift / inheritance of agricultural land. *Key relief from CAT:* • Agricultural Relief • Business Relief
Business assets	Stamp Duty at the rate of 7.5% applies to the acquisition of commercial property by a business. Other assets acquired by a business may also be		CGT at 33% applies on the transfer of business assets. *Key relief from CGT:* • Retirement relief • Entrepreneur Relief	CAT at 33% applies on the gift/ inheritance of business assets. *Key relief from CAT:* • Business Relief

	subject to stamp duty.			
Land and buildings (held as investments)	Stamp Duty at the rate of 7.5%.	Rental income is subject to income tax at the marginal rate, USC and PRSI.	CGT at 33% applies on the transfer of land and buildings.	CAT at 33% applies on the gift/ inheritance of land and buildings.
Shares (held as investments)	Stamp Duty at a rate of 1%.	Income tax at the marginal rate, USC and PRSI is payable on dividends earned. Dividend Withholding Tax (DWT), which is withheld at source at the rate of 25%, is offset against the final income tax liability.	CGT at 33% applies on the transfer of shares.	CAT at 33% applies on the gift/ inheritance of shares.
Deposit interest[6]	Tax payable on acquisition would be dependent on the source of the funds used to fund the deposit account.	Deposit Interest Retention Tax (DIRT) at a rate of 33% is withheld at source which represents the final liability to tax. PRSI may apply to deposit interest in certain circumstances.	N/A	CAT at 33% applies on the gift/ inheritance of money held on deposit

[6] State Savings Fixed Term Products, Instalment Savings and Prize Bonds winnings are not subject to DIRT and are exempt from IT, PRSI and Capital Gains Tax. An Post Deposit Accounts are subject to DIRT.DIRT is not operated on certain accounts held by individuals where, for example, the money in the account is compensation received under Magdalen Restorative Justice Ex-Gratia Scheme.

Asset type	Tax treatment of pension contributions by employee	Tax treatment on drawdown of a pension
Occupational pension schemes **Personal Retirement Savings Accounts (PRSAs)** **Retirement Annuity Contracts (RACs)** **Pan-European Personal Pension Product (PEPPs)**	Income Tax relief at the marginal rate (subject to an age-related earnings percentage limit and a total earnings limit) applies to employee pension contributions. No relief from USC or PRSI for employee pension contributions. There is a limit on the overall value of the pension fund that an employee can get tax relief on. This is called the Standard Fund Threshold which is currently set at €2 million.	A maximum of €200,000 can be taken as a tax-free pension lump sum on retirement. Lump sums between €200,001 and €500,000 are taxed at 20%, with any balance over this amount taxed at the marginal rate and subject to USC. Income received from a pension, after the tax-free lump is paid out, is generally subject to the individual's marginal rate of income tax (and USC and PRSI where applicable).
Approved Retirement Fund	An Approved Retirement Fund (ARF) is a post-retirement investment fund which may be used by defined contribution scheme members, holders of RACs, PRSA holders and PEPP holders at retirement to invest any retirement funds remaining after taking tax-free lump sum, as an alternative to purchasing an annuity. The funds transferred to an ARF can be drawn down in a flexible way during retirement. Income and gains of ARF funds are exempt from tax while retained in the ARF.	A distribution is treated as a payment of emoluments, i.e., the payment is subject to the individual's marginal rate of income tax (and USC and PRSI where applicable). Special rules apply to certain distributions arising following the death of the ARF owner. These are outlined in the table set out below.

Taxes which apply on the death of a holder of an Approved Retirement Fund (ARF)

The table below summarises the income tax and CAT which apply on the death of the ARF holder and on the subsequent death of the spouse/civil partner into whose ARF the original ARF was transferred. The normal CAT tax-free thresholds apply.

Beneficiary	Death of Holder		Death of Spouse/Civil Partner	
	Income Tax	**CAT**	**Income Tax**	**CAT**
Spouse/Civil Partner	No	No	N/A	N/A
Child under 21 years	No	Yes	No	Yes
Child 21 years or over	Yes	No	Yes	No
Others	Yes	Yes	Yes	Yes

Note:

The analysis set out in this Appendix does not address complex tax rules applying to financial products such as investment funds. The tax rate and treatment of products can vary considerably depending on:

- the type of investment product;
- the tax residence or domicile position of the investor;
- the percentage holding or level of influence of the investor;
- the source jurisdiction; and
- in certain instances whether there has been compliance with certain administrative or filing obligations.

Appendix II

<table>
<tr><th colspan="3">Synopsis of the rules which apply for the main capital taxes on assets and key reliefs available to individuals</th></tr>
<tr><td>Tax</td><td>Overview of the tax rules</td><td>Key reliefs</td></tr>
<tr><td>Stamp Duty</td><td>Stamp Duty is a tax on certain instruments or written documents, such as a deed transferring a property. Stamp Duty is chargeable on instruments that transfer land and buildings situated in Ireland, written leases of land and buildings situated in Ireland, and instruments that transfer shares or stocks of Irish companies.

Stamp Duty is generally payable by the person to whom the transfer is being made (i.e., the purchaser or lessee).

Stamp Duty rates:
Residential property: 1% for consideration up to €1 million and 2% on excess consideration over €1 million.
Bulk purchase of 10 or more houses and duplexes in a 12 month period: 10%.
Non-residential property: 7.5%
Shares, stocks or marketable securities: 1%. (Note: Higher rates of 7.5% and 10% can apply to certain transfers of shares deriving value from non-residential immovable property or from residential units, other than apartments, bought in bulk.)
No Stamp Duty applies on transfers of property between spouses or civil partners.</td><td>Consanguinity relief
For transfers of land between certain relatives, consanguinity relief applies to reduce the rate of stamp duty from 7.5% to 1% subject to certain conditions. These conditions include that the transferee must farm the land for a minimum of 6 years or lease it for a minimum of 6 years to a person who farms the land.
Young trained farmer relief
Subject to certain conditions, transfers of land to 'young trained farmers' are exempt from stamp duty.

A lifetime ceiling of €70,000 applies to the aggregate amount of relief (State aid) that may be granted to an individual under the young trained farmer relief and two other tax reliefs available to farmers (i.e., Stock Relief and the succession tax credit which is available in respect of certain farm partnerships).</td></tr>
<tr><td>CGT</td><td>CGT is a tax paid on any capital gain made on the disposal of an asset. The chargeable gain is generally the difference between the price paid for the asset and the sale price. CGT is</td><td>Principal Private Residence Relief
A taxpayer will be exempt from CGT if they dispose of a property that, for the entire period of</td></tr>
</table>

	payable at a rate of 33% by the person disposing of the asset. No CGT applies on the transfer of assets on a death. A gain on an asset that is transferred between spouses or civil partners is usually exempt from CGT. The first €1,270 of taxable gains in a tax year are exempt from CGT.	ownership, they lived in as their only or main residence and used all the residence as their home. The exemption also applies to land, up to one acre (0.405 hectares), around a house. Principal Private Residence Relief is restricted if the taxpayer did not fully occupy the property, if they did not live in the property for the entire period of ownership or, if the sale price has development value. • *Retirement Relief* Business or farming assets may be relieved from CGT where the person disposing of the assets is aged 55 or over and had owned and used the asset for the ten years prior to disposal. The operation of the relief differs as between persons aged 55 to 65 years and persons aged 66 and over. For individuals aged 55 to 66 years, the relief applies to assets valued up to €750,000 where the assets are transferred outside the family. Where the disposal is made to a child or nephew/niece who has worked full time in the business/on the farm for the previous five years ('favourite niece/nephew'), there is no monetary limit to the relief. For individuals aged 66 years and over disposing of business or farm assets outside the family, the consideration limit is reduced from €750,000 to €500,000. For individuals aged 66 years and over disposing of business or farm assets to a child or 'favourite niece/nephew', the relief can be claimed up to a consideration or value limit of €3 million. • *CGT Entrepreneur Relief* Entrepreneur Relief provides for a 10% rate of CGT (as opposed to 33%) in respect of chargeable gains on disposals of qualifying business assets up to a lifetime limit of €1 million. Subject to certain conditions, the relief applies to shares held by an individual in a trading company and assets owned

		by a sole trader and used in their trade. These conditions include that the individual has worked as a “full-time” director or employee in the business, i.e., spent at least 50% of his/her time working for the company, continuously for three out of the past five years in a managerial or technical capacity.
CAT	CAT at a rate of 33% applies to gifts and inheritances. CAT is payable on the amount exceeding the relevant tax-free threshold. There are three tax-free thresholds. The thresholds vary depending on the relationship between the disponer and the beneficiary. The three thresholds are: • **Group A (€335,000):** Applies where the beneficiary is a child (including adopted child, step-child and certain foster children) or minor child of a deceased child of the disponer. Parents also fall within this threshold where they take an inheritance of an absolute interest from a child. • **Group B (€32,500):** Applies where the beneficiary is a brother, sister, niece, nephew or lineal ancestor or lineal descendant of the disponer. • **Group C (€16,250):** Applies in all other cases. Any benefit received since 5 December 1991 within the same group threshold is aggregated for the purposes of determining whether any CAT is payable on the current benefit. CAT applies to all property that is located in Ireland. It also applies where the property is not located in Ireland but either the person giving the benefit or the person receiving it are resident or ordinarily resident in Ireland for tax purposes. An individual may receive a gift up to the value of €3,000 from any person in a calendar year without having to pay CAT.	• *Agricultural Relief* Qualifying farmers can avail of CAT Agricultural Relief, which reduces liability to CAT by 90%. The relief operates by reducing the market value of 'agricultural property' (including farmland, buildings, stock) by 90%, and the gift or inheritance tax is then calculated on this reduced value. To qualify for agricultural relief, 80% of the beneficiary’s assets, after having received the gift/inheritance, must consist of qualifying agricultural assets. The beneficiary must also be an active farmer or lease the land to one. • *Business relief* A relief from CAT applies to gifts and inheritances of certain business property, subject to certain conditions. The relief amounts to a 90% reduction in respect of the taxable value of relevant business property. The business must not consist wholly or mainly of dealing in land, shares, securities, or currencies or making or holding investments. The person making the gift or inheritance must have owned the relevant business property for a continuous period of at least two years in the case of an inheritance or five years in any other case. The relief is clawed back if, at any time within a period of six years (ten years in certain circumstances), the business property is sold or disposed of and is not replaced by other qualifying business property or ceases to be a qualifying business property.

	Gifts and inheritances between spouses or civil partners are exempt from CAT.	• *Same-event credit*[7] The 'same-event' credit allows for the CGT paid by one individual to be offset against the CAT due by another individual in a scenario where both CGT and CAT arise on the same asset transfer (i.e. the same event).
LPT	LPT is payable annually on the market value of residential property. There are 19 valuation bands for properties valued up to €1.75 million. The LPT charge for properties with a market value greater than €1.75 million is not calculated using a valuation band. It is based on the market value of the property. The LPT charge for these properties is calculated as the sum of: • 0.1029% of the first €1.05 million of market value of the property, • 0.25% of the portion of the market value between €1.05 million and €1.75 million, and • 0.3% of the portion of the declared market value above €1.75 million.	Subject to certain conditions, there is an exemption from LPT for properties that are; • unoccupied for an extended period due to illness of the owner; • purchased, adapted or built for use by incapacitated persons ; • certified as having pyritic damage; • constructed using defective concrete blocks; • fully subject to commercial rates; • owned by a charity or public body; and • registered nursing homes.
VHT	VHT applies to residential properties occupied for less than 30 days in a 12-month period. The tax is charged at a rate of three times the basic rate of LPT applying to the property.	Subject to certain conditions, there is an exemption from VHT for certain properties including; • Properties where the owner has died; • Properties where a Grant of Representation was issued; • Properties actively marketed for sale or rent; • Properties subject to certain Court Orders; • Properties that underwent structural works; and • Property unoccupied due to illness of owner.

[7] Section 104 Capital Acquisitions Tax Consolidation Act 2003.