Publication: Irish Independent
Date: Monday, June 8, 2015
Page: 10
Extract: 1 of 1
Circulation: 112.502
Author: Charlie Weston
Headline: Children forced to sell family home as rising house prices push up tax bills

# Children forced to sell family home as rising house prices push up tax bills

Personal Finance Editor
**Charlie Weston**

THOUSANDS of families will be unexpectedly hit with huge inheritance tax bills this year as rising property prices push them over existing thresholds.

Finance Minister Michael Noonan is to examine the issue which is forcing many to sell their parents' homes in order to settle with Revenue.

During the recession the tax rate for inheritance skyrocketed, while the threshold for tax-free inheritance was halved.

However, with property prices rising, ordinary families are getting hit by a tax only intended to target those in receipt of exceptionally large inheritances. Tax and legal experts have called for a radical overhaul of inheritance tax – known by Revenue as capital acquisitions tax.

In 2009, a child could inherit €542,544 from a parent, and the balance was taxed at 22pc. However, now a child can inherit only €225,000 from a parent before the balance is taxed at 33pc.

Director general of the Law Society Ken Murphy said: "The Law Society has been concerned for a number of years about the increasingly penal impact of capital acquisitions tax. This has resulted from Governments increasing the headline tax rate and reducing the tax free thresholds by stealth."

He told the *Irish Independent* that "in some cases incapacitated persons have been treated very harshly as a result of these changes".

Farmers and business owners passing on their assets get reliefs worth up to 90pc of the value of the assets they are leaving to loved ones. But this does not apply to ordinary families.

We have one of the toughest inheritance tax regimes in the world, according to Louth accountants UHY Farrelly Dawe White.

Smaller families, where there are few people sharing in the inheritance of a property, end up being hit hard by enormous inheritance bills.

According to Brian Keegan, director of taxation at Chartered Accountants Ireland the reduction in the tax-free thresholds has resulted in even modest properties being hit with inheritance tax bills when transferred from parents to offspring,

"Capital acquisitions tax is now little other than a tax on inheritances of residential property in urban areas. There are good reliefs available where farms and business assets are transferred, but not for houses," he said. And financial expert Christine Keily, of Taxback.com said urban areas, particularly Dublin, were being hit hardest.

"Those living in Dublin the chances of a family home needing to be sold to cover the inheritance tax is higher quite simply because the house prices are higher."

## Threshold

Mr Noonan said he was aware that property prices were rising and this is impacting the taxation of the inheritance and gifting of property.

"I will be keeping capital acquisitions tax thresholds and other aspects of the tax under review, particularly in the context of preparations for Budget 2016 and the consequent Finance Bill," he said.

Inheritance tax is a tax which can arise when someone receives an inheritance as a result of someone dying. The beneficiary is responsible for paying the tax.

If you are a surviving spouse or surviving civil partner, the inheritance is completely exempt and, no matter how valuable, will not be liable for inheritance tax.

But for children, inheritance tax thresholds (the amount you can inherit tax-free) have been slashed in recent years.

They have fallen from €542,544 for a son or daughter in early 2009 to €225,000 today.

And the rate of capital acquisitions tax has risen from 20pc in 2008 to 33pc now.

This means that tax at the rate of 33pc applies on the excess over the tax-free threshold.

Smaller families can mean a small number of beneficiaries, which means that the inheritance is split fewer ways. This in turn leads to higher tax bills.

The obligation to make a return to Revenue Commissioners rests with the person who receives the inheritance.

Publication: Irish Independent
Date: Tuesday, June 9, 2015
Page: 11
Extract: 1 of 1
Circulation: 112.502
Author: Charlie Weston, Personal Finance Editor
Headline: Families 'should be allowed to pay death tax in stages'

# Families 'should be allowed to pay death tax in stages'

**Charlie Weston**
Personal Finance Editor

FAMILIES facing large inheritance tax bills should be allowed to spread the repayments over a five to 10-year period, it has been argued.

The *Irish Independent* yesterday highlighted how thousands of ordinary families are finding themselves being hit with huge tax bills as rising property prices push them over exemption limits.

Finance Minister Michael Noonan is to examine the issue around the inheritance tax trap, which is forcing many to sell their parents' homes in order to settle their tax bills with the Revenue Commissioners.

The tax rate for inheritance sky-rocketed during the recession, while the threshold for tax-free inheritance was halved.

The highlighting of the issue by the *Irish Independent* has prompted a flurry of emails and phone calls to this newspaper.

Fianna Fáil finance spokesman Michael McGrath said inheritance tax was a form of stealth tax.

He called on Mr Noonan to give priority to increasing the tax-free thresholds.

The tax, called capital acquisitions tax (CAT), is imposed at a rate of 33pc on amounts over €225,000 for a son or daughter.

The tax-free threshold has been cut in half since 2008, while the tax rate has jumped from 20pc in 2008 to 33pc now.

Mr McGrath said: "The Government is expecting the yield from tax on gifts and inheritances to increase by 21pc to €400m this year. This illustrates how much of a stealth tax it actually is."

He called for fundamental reform of how the tax is levied.

"I am proposing that we remove the wild variations in the yield by adjusting the thresholds on an annual basis in line with asset price inflation. We should also allow people who find themselves subject to a large CAT bill on illiquid assets to spread out the liability over five to 10 years at a low interest rate."

Smaller families, where there are few people sharing in the inheritance of a property, end up being hit hard by enormous inheritance bills.

Experts say the system is "one of the toughest inheritance tax regimes in the world".

The reduction in the tax-free thresholds has resulted in even modest properties – particularly in Dublin, where house prices are higher – being hit with big tax bills when transferred from parents to offspring.

Farmers and business owners passing on their assets get reliefs worth up to 90pc of the value of the assets they are leaving to loved ones.

But this doesn't apply to ordinary families, where the home is being passed on. However, if a son or daughter is living in the family home for three years or more, there is no tax liability.