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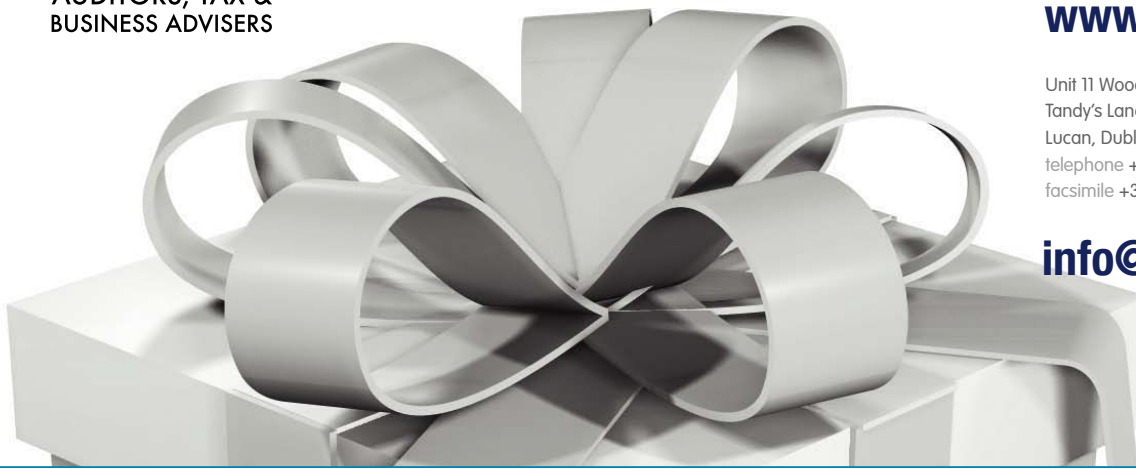
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Succession Planning – Some Tax Tips

Given the sharp decrease in asset values over the past year, now might be a good time to look at gifting assets to your children. If this is something that you are considering, you will be interested to know of some simple tax planning tools:

LIFETIME THRESHOLD

Under gift tax legislation, there is a lifetime tax free amount that can be gifted. Gifts above this amount are taxed on the recipient at 25%. The tax-free amount is determined by reference to the relationship to the person making the gift and the recipient.

If you are a parent thinking of making a gift to a child, you should ensure that the value of the gift does not exceed the threshold applicable in the year the gift is made. In that way, your child will be entitled to the annual increase in the tax-free threshold. If the threshold has been exceeded in a particular year, the child will not get the benefit of the annual inflationary increase. For example, if a parent gifted a child €530,000 in 2008 and €10,000 in 2009, the child would pay gift tax on the €10,000 received in 2009. This is because the cash gift received in 2008 exceeded the tax-free threshold of €521,208 for that year. However, if the gift was €520,000 in 2008 and €20,000 in 2009, no gift tax would be payable by the child in 2009. This is the case even though the child has received the same amount overall.

ANNUAL SMALL GIFT EXEMPTION

A parent can gift €3,000 per annum to each of his / her children and grandchildren without the recipient being obliged to pay gift tax on it. Accordingly, over a period of 18 years an individual can receive total gifts valuing up to €54,000 from another individual regardless of the relationship between the two individuals. In relation to gifts made by parents to children, the small gift exemption applies in addition to normal gifts for maintenance and education.

GIFT ON MARRIAGE

It may be possible to make a substantial gift to a child on the occasion of their marriage. The level of tax-free gift that can be made depends on the circumstances in each case including the means and general expenditure level of the parent.

LIFETIME GIFT OF A DWELLING HOUSE

It is possible to transfer a home to a child without the child being exposed to gift tax, if certain conditions are met.

Broadly, these conditions are as follows :

- The child resides in the house with the parent for at least 3 years prior to the gift, or
- The child occupied a house as his or her only or main residence for 3 years preceding the gift and for a period of 6 years after the gift and where the parent has owned the house for 3 years prior to the gift. This would apply, for example, where a parent buys a house and his child lives in it for 3 years and subsequently the parent gifts him / her the house.

Caution is needed here as stamp duty could arise on the purchase by the parent. Stamp duty would also be payable by the child on the gift. Capital gains tax would also apply on the disposal by the parent on the increase in house value over the 3 years although this is less likely to be an issue in the current market.