

Part 10 - Favourite Nephew Relief

Capital Acquisitions Tax

10 Part 10 - Favourite Nephew Relief - Schedule 2 Paragraph 7 CATCA 2003.

- ❖ Relief applies where the nephew or niece has worked substantially on a full time basis for 5 years prior to the ending of the disponers beneficial interest in the business.
- ❖ Relief applies to gifts or inheritances of business assets only.
- ❖ Group A and Group B thresholds apply- Group A to the business assets and Group B to non-business assets.
- ❖ Beneficiary must have worked for 5 years prior to ending of disponent's beneficial interest.
- ❖ Small business- for a minimum of 15 hours a week.
- ❖ Larger business- for a minimum of 24 hours per week.
- ❖ Small Business: - one carried on exclusively by disponent + disponent's spouse + nephew
- ❖ Form I.T. 42 is required to be submitted by the beneficiary to claim the relief.

Example:

James Sheehan inherits the estate of his uncle. The inheritance consists of

- (1) Business assets i.e. a licensed premises with a market value of €500,000 and stock-in-trade valued at €30,000

and

- (2) Non-business assets of €150,000

James qualifies for "favourite nephew" relief in respect of the business assets i.e. the licensed premises and stock-in-trade in accordance with paragraph 7, Part 1 of the Second Schedule to the CATCA 2003.

James is therefore entitled to the Group A threshold for the business assets of €30,000 and separately to the Group B threshold for the non-business assets of €150,000.

In a case where the inheritance consists partly of business assets and partly of non-business assets the debts, liabilities etc must be apportioned pro rata between the business assets and the non-business assets.