

## **Part 16 - Contingencies Affecting Gifts or Inheritances**

### **Capital Acquisitions Tax**

#### **16 Part 16 - Contingencies Affecting Gifts or Inheritances - Section 29 CATCA 2003**

##### **EXAMPLE:**

On 9 July 2004 Charles Blake dies and leaves the residue of his estate consisting of securities and a bank account, with a value of €200,000 to his widowed sister Clare, for her life or re-marriage with remainder to Clare's daughter Anne, absolutely.

Section 29 of the CATCA 2003 provides that the contingency above i.e. the remarriage of Clare is ignored for the purposes of calculating inheritance tax liability. As Clare is 45 years of age the relevant life factor for a female of that age is found at Table A First Schedule to CATCA 2003 and is .8283.

The taxable value of the benefit of the life interest taken by Clare is therefore €165,660 (i.e. €200,000 multiplied by .8283).

Allowing for Clare's tax-free threshold of €45,644 the tax due by her is €24,003.20

Clare remarries on 29 July 2007.

##### **There are two CAT consequences.**

Firstly, Clare's own tax liability is re-calculated with the taxable value of her benefit being calculated on the basis she took an interest in €200,000 for a period certain i.e. from 9 July 2004 to 29 July 2007. This is a period of 3 years and 21 days. We find the relevant factor in Table B First Schedule of the CATCA 2003.

Value for 3 years is €200,000 multiplied by .1836 = €36,720.00

Value for extra 21 days equals €14.46 (the value for 4 years is €200,000 multiplied by .2370, which is €47,400. i.e. an increase of €10,680.00 over the value for 3 years and a proportion of 21 of 365ths of this increase is taken)

The revised taxable value of Clare's benefit is therefore €37,334.46 and her revised tax liability is therefore NIL. She is due a refund of €24,003.20.

The second implication is that the remainder interest taken by the late Charles Blake's niece Anne is accelerated. On the remarriage of Clare, Anne, her daughter, takes an absolute interest in the securities and the bank account. She is taxable on the quantum of the benefit at that time, as a benefit taken from her uncle-the disponer.