

Capital Acquisitions Tax Consolidation Act 2003

Section 28: Exclusive right of residence

This document should be read in conjunction with section 28 of, and Schedule 1 to, the Capital Acquisitions Tax Consolidation Act (CATCA) 2003.

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1 Introduction

A gift or inheritance may comprise a right to reside in a dwelling. The right of residence may be in the form of a general right of residence or an exclusive right of residence. Where a beneficiary is given an exclusive right of residence it is treated as a limited interest for Capital Acquisitions Tax (CAT) purposes. The purpose of this manual is to explain the CAT treatment of a gift or inheritance of an exclusive right of residence.

For information on the CAT treatment of a general right of residence please see CAT Manual Sections 5 and 10: General right of residence.

2 Exclusive right of residence

Where a person is given an exclusive right to reside in a dwelling, that right may be for the duration of his or her life or for a defined period of time. When calculating the value of this right for CAT purposes, the benefit is treated as a limited interest, the value of which is calculated by reducing the market value¹ of the benefit in accordance with the rules and tables in Schedule 1 CATCA 2003 (section 28(4) CATCA 2003).

Table A in Schedule 1 provides the appropriate factors to be used in determining the value of a life interest depending on the age and gender of the beneficiary. Table B in Schedule 1 provides the appropriate factors to be used in determining the taxable value of an interest for a defined period of time. Detailed guidance on the application of these rules is set out in CAT Manual Sch. 1: Valuation of Limited interests - Parts 1 and 2.

Example

John is 37 years old. He receives an exclusive right to reside in a house for the rest of his life. The house is valued at €500,000. The costs are €2,000.

John uses Table A in Schedule 1 to determine the value of his limited interest for CAT purposes.

Taxable value of John's interest:

Market value	€500,000
Deduct costs	€2,000
Value	€498,000
Multiply by age factor for male 37 years (0.8626)	€429,574
Taxable value	€429,574

¹ In this manual, the market value of a benefit refers to its "incumbrance free value", i.e., its market value less costs, liabilities and expenses (section 28 CATCA 2003).