

Capital Acquisitions Tax Consolidation Act 2003

Section 41: When interest in assurance policy becomes interest in possession

This document should be read in conjunction with section 41 of the Capital Acquisitions Tax Consolidation Act (CATCA) 2003.

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1 Introduction

Section 41 CATCA 2003 sets out special rules for determining the point in time when an interest in a life assurance policy, including a contract for a deferred annuity, is deemed to become an interest in possession for the purposes of Capital Acquisitions Tax (CAT).

The section was amended by section 88 of Finance Act 2025¹ to include a new subsection (1A), which applies from 1 January 2026. Accordingly, this document sets out guidance on the operation of section 41 as it applies from 1 January 2026.

2 General rules for determining when person deemed to take gift or inheritance

Section 5 CATCA 2003 sets out the circumstances where a person is deemed to take a gift for CAT purposes. Section 10 similarly provides for the circumstances where a person is deemed to take an inheritance for CAT purposes.

In accordance with these provisions, a person is deemed to take a gift or inheritance for CAT purposes at the time they become **beneficially entitled in possession to any benefit** otherwise than for full consideration in money or money's worth paid by such person. Section 2(1) CATCA 2003 defines "entitled in possession" as having a present right to the enjoyment of property, as opposed to a future right.

3 Special rules for determining when person deemed to take gift or inheritance of interest in life assurance policy

Where an interest in a policy of life assurance is assigned from one person to another (the assignee), the assignee will generally acquire rights to the benefits of the policy. Where the benefit acquired is gratuitous, i.e., the assignee does not provide full consideration for it, section 41 defers the charge to CAT by deeming that the interest in the policy does not become an interest in possession for CAT purposes until the occurrence of any of the following events:

- When the policy **matures** (section 41(1));
- When the policy is **surrendered** to the insurer for its cash value or cash equivalent (section 41(1));
- When the insurer makes a **full or partial payment** during the policy's term – in such a case the interest becomes an interest in possession to the extent of the payment made (section 41(1));
- Where the interest in the policy is **disposed of** (in whole or in part) – where the interest is partly disposed of, that part of the interest becomes an interest in possession (section 41(1A)).

¹ <https://www.irishstatutebook.ie/eli/2025/act/18/section/88/enacted/en/html#sec88>.

The effect of these provisions is that the gratuitous benefit, comprising the interest in the life assurance policy, is not treated as a gift or inheritance for CAT purposes, and therefore within the charge to CAT, until the occurrence of one of the above-mentioned events. The taxable value of the gift or inheritance will be calculated on the date that such event occurs and the CAT liability, if any, will be calculated by reference to the rate of CAT and CAT Group A threshold applicable on that date.

Section 41(2) extends the rules in section 41 to contracts for deferred annuities, deeming them to mature on the date when the first instalment of the annuity becomes due. Consequently, the annuitant is treated as coming into beneficial possession from that date, triggering CAT liabilities if applicable. If the deferred annuity is disposed of before the first instalment is paid, it will become an interest in possession at the time of the disposal. Thus, any charge to CAT in respect of an earlier gift or inheritance of the annuity will arise at the time of the disposal.

4 Illustrative examples

Example 1: Gift of a life assurance policy with subsequent surrender

Facts:

Anne receives a life assurance policy as a gift from her uncle on **1 January 2023**. At this point, it is not considered a “gift” for CAT purposes.

Event triggering entitlement in possession:

On **1 January 2026**, Anne surrenders the policy to the insurer for its cash value of €60,000. Anne’s interest in the policy becomes an interest in possession for CAT purposes on 1 January 2026 in accordance with section 41(1). The date of the gift Anne took from her uncle is **1 January 2026**, i.e., the date her interest in the life assurance policy was deemed to become an interest in possession.

CAT implications:

For CAT purposes, Anne took the gift from her uncle on **1 January 2026** and must calculate the CAT due by reference to the rate of CAT and CAT Group B threshold applicable on that date. Anne is required to pay any CAT liability arising and file a CAT return by **31 October 2026**.

Example 2: Gift of a life assurance policy and disposal before payment made by insurer**Facts:**

Amanda receives a gift of a life assurance policy from her father on **1 March 2023**. Her father executes a deed of assignment transferring his interest in the policy to Amanda on that date. The policy is valued at €500,000 and the proceeds are payable on the death of the life assured or earlier surrender. At this point, the transfer of the policy to Amanda is not considered a “gift” for CAT purposes.

Event triggering entitlement in possession:

On **1 March 2026**, Amanda disposes of the policy to a third party for full consideration, its then market value of €550,000. In accordance with section 41(1A), Amanda’s interest in the policy is deemed to become an interest in possession at the time of this disposal. Thus, the earlier transfer of the life policy to Amanda from her father becomes a gift for CAT purposes at the time of the disposal.

CAT implications:

For CAT purposes, Amanda took a gift of the life policy from her father on **1 March 2026** and must calculate the CAT due by reference to the rate of CAT and CAT Group A threshold applicable on that date. The valuation date of the gift is 1 March 2026, and the amount of CAT payable will be calculated on the market value of the policy at the date of the gift, i.e., on €550,000 (after allowing for any unused Group A threshold and the small gifts exemption). Amanda is required to pay any CAT liability arising and file a CAT return by **31 October 2026**.