

Part 14 – Freedom From Tax

Capital Acquisitions Tax

14 Part 14 - Freedom From Tax - Section 87 CATCA 2003

Section 87 CATCA 2003 - “ Where a gift or an inheritance is taken, by direction of the disponent, free of tax, the benefit taken is deemed to include the amount of tax chargeable on such gift or inheritance but not the amount of tax chargeable on such tax.”

Example:

James takes a tax-free legacy of €75,000 from a stranger who died in 2007.

The tax on €75,000 is €10,031.80 i.e. 20% of €50,159 (€75,000 minus tax-free threshold of €24,841).

The taxable value of the benefit taken by James is therefore (1) €75,000 legacy plus (2) €10,031.80 tax free benefit = €85,031.80

The tax on the legacy of €85,031.80 taken by James is €12,038.16 –i.e. 20% of €60,190.80 (€85,031.80 minus tax-free threshold of €24,841).

The tax due of €12,038.16 is payable out of the residue of the estate.