

"Reverse Annuities" - Tax Avoidance Scheme

Part 08-01-01

This document should be read in conjunction with sections 237(1) and 242 of the Taxes Consolidation Act 1997.

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The following material is either exempt from or not required to be published under the Freedom of Information Act 2014.

[...]

1. Outline of sections 237 (1) and 242 TCA 1997

- (i) Section 242 TCA 1997 provides that "reverse annuity" payments made on or after 9 May 1989 [date of publication of the section] must be made gross and **are not allowable for income tax or corporation tax.**
- (ii) Ordinary annual payments under deeds of covenant made without valuable and sufficient consideration (e.g. annuities to relatives or to universities or colleges for research) are **not** affected by the section. Neither are payments to individuals for surrendering or transferring an interest in settled property to the holder of a subsequent interest (e.g. an annuity to a life tenant in return for the surrender of the life interest to the remainderman).
- (iii) Section 237(1) TCA 1997 confirms that such payments made on or after 9 May 1989 may be assessed to tax in the hands of the recipients.