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Jane Florides

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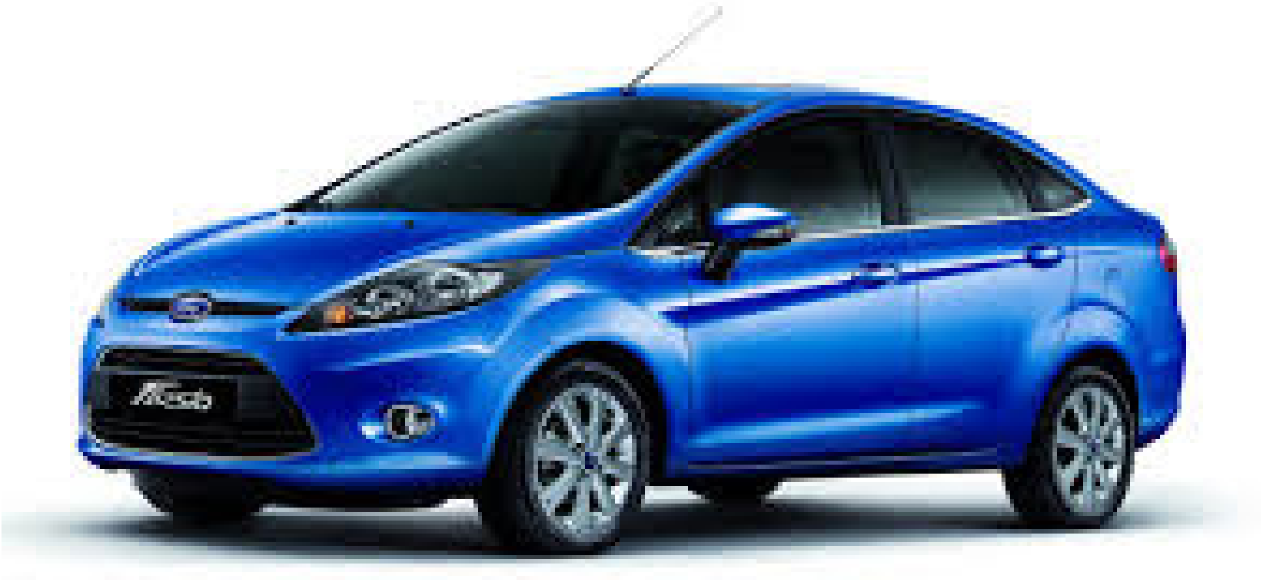
Key tax considerations for investors

Thursday 18 September 2014

Investment portfolios



To what extent should tax be a driver?

Tax treatment of investments

- Geographic location
- Type of investment

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Geographic aspect

- Historically, EU bias
- No longer the case

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Example 1 – deposit interest

Historic rate – 2010

- EU interest – 33%
- Non-EU interest – 55%

Example 1 – deposit interest

Current tax rates

- EU interest - 41% + 4% PRSI
- Non EU interest – 41% + 4% PRSI

Example 2 – Fund investments

In 2010

- EU/EEA/OECD treaty funds – 28%
- Outside EU/EEA/OECD – 55%

Current rates – funds

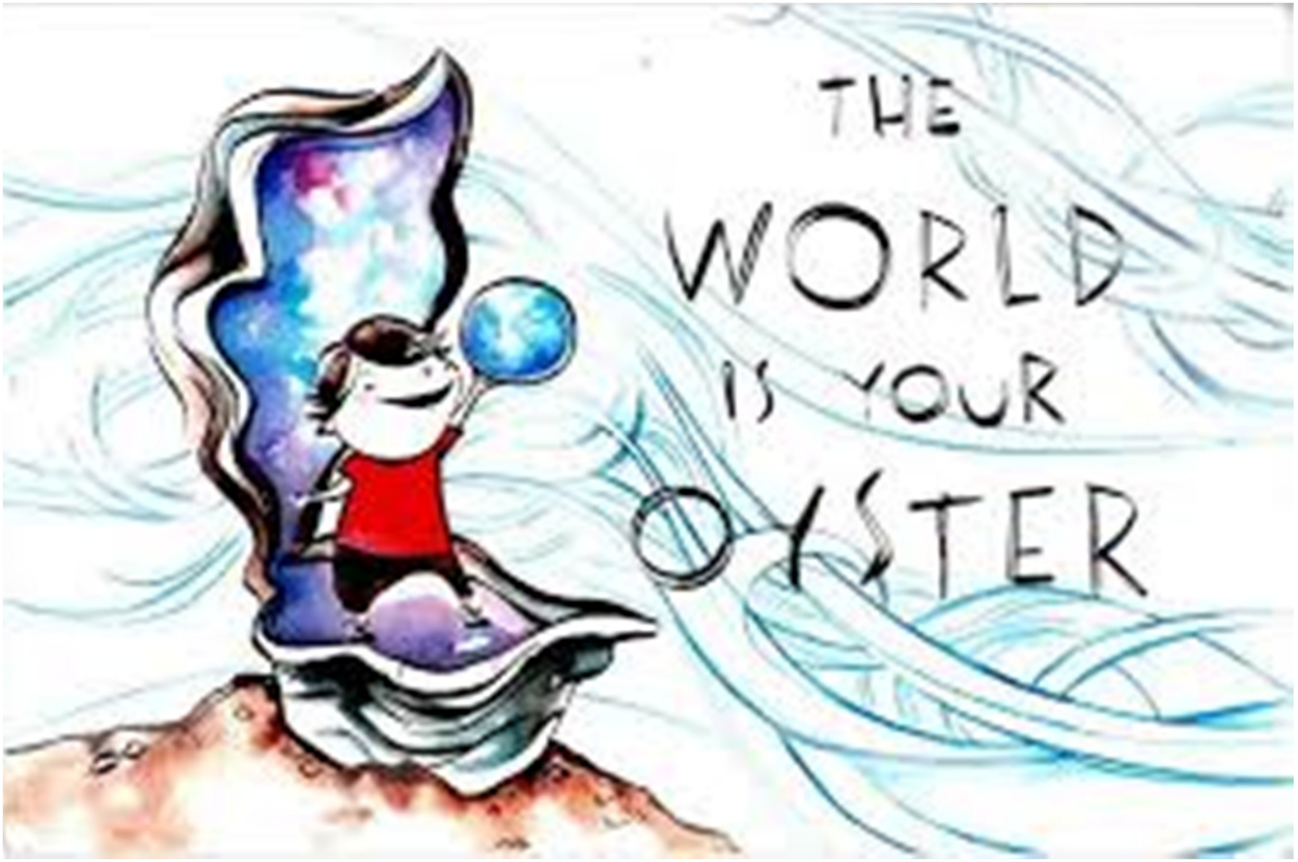
- EU/EEA/OECD treaty funds – 41%

- Funds outside EU/EEA/OECD – 41%
  (plus 4% PRSI + USC max. 10% = 55%)

- 8 year charge for EU funds

- Geographic location not an issue for corporate investors

Geographic aspect - conclusion



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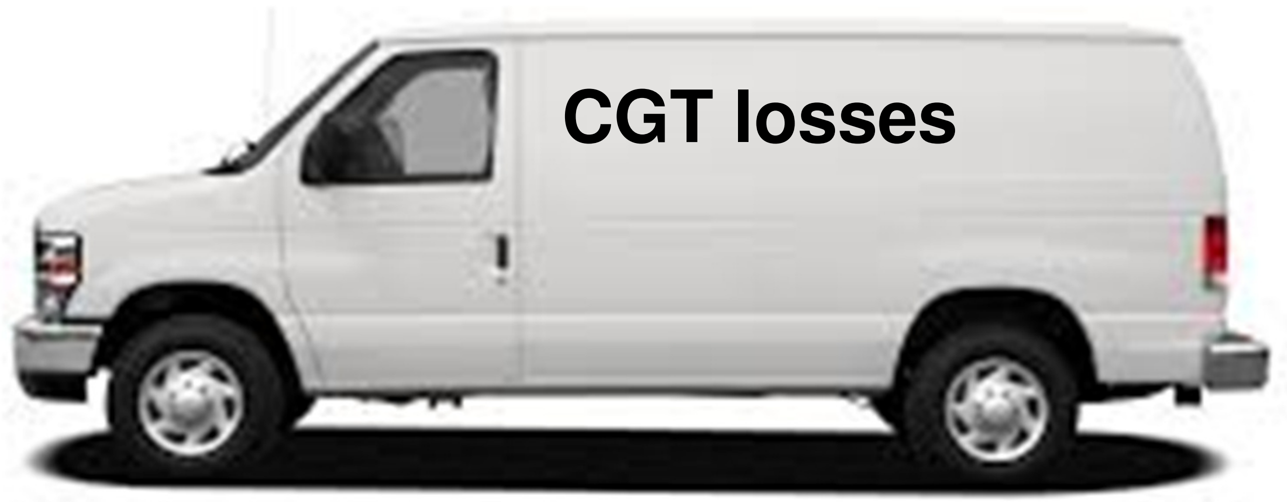
Type of investment



Types of investment

- Fund or CGT?
- Investment funds – gain is taxed as income so cannot use losses
- Also have tax charge on death for funds

Using CGT losses

- Equities
- Irish property
- Property outside Ireland
- Foreign currency
- Many alternatives/commodities
- Sale/transfer of business
- Gifts and sales

CGT losses - conclusion

- Losses can be carried forward indefinitely
- Inflation low value ➡ is not being eroded
- Should not be a driver for most investors

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Having said that:

Funds

- 41% tax and 8 year charge (EU/EEA/OECD)

  or
- Up to 55% tax (outside EU/EEA/OECD)

- Corporate rate 40% (including surcharge)

CGT

- 33% with loss offset

While tax should not be a driver, it would be more beneficial if an investment happened to be CGT

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Not all investments are funds

- Differences within the same category:
  - iShares
  - Investment trusts
  - ETFs
  - SPDRs

Some “funds” are CGT because:

- Investors get certificates rather than shares (e.g. iShares Euro Stoxx ETF)
- Investors get notes rather than shares (e.g. ETCs)
- Fund never provides facility for investors to redeem units, (e.g. SPDR Pharma ETF)
- Investment is unregulated (some investment trusts)

Key takeaways on funds

- Many listed investments are funds
- Check if you can claim CGT treatment?
- Don’t miss the 8 year charge on EU/EEA/OECD funds
- Large holdings – consider a trust – 20%

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Property investments

- Purchase on or before 31 December 2014
- 7 year holding period exempt from CGT
- Property anywhere in EEA
- Commercial and residential property
- Individual and corporate investors

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UK commercial property

- Purchase price today EUR200,000
- Sale price in 10 years EUR300,000
- Gain is EUR100,000
- $^{7}/_{10}$ths of gain (EUR70,000) exempt
- EUR30,000 taxable

7 year exemption - summary

- Irish and EEA property
- Conclude purchases before 31 December
- Opportunities to move properties into new ownership
  - Family members
  - Corporate groups

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Thank you.

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