Ex-pats returning to Ireland

1. Be careful if stockpiling assets in Ireland before your return

One mistake wealthy Irish people often make is to overlook the domicile levy. This levy is EUR200,000 per year and is due by any Irish domiciled person who has income for the tax year of over EUR1m, and Irish assets on 31 December of over EUR5m (before borrowings). Often an Irish person returning home starts transferring cash to Ireland, buying a home etc., in advance of his/her return. So you might have an Irish person living in Singapore who earns over EUR1m during the tax year, but by 31 December of that tax year has EUR5m worth of assets in Ireland including Irish property, investments in Irish funds and cash in an Irish bank account. They are liable for the EUR200,000 levy.

2. Make gifts to children before returning

The total amount that parents can transfer to each child without an Irish gift/inheritance tax bill is only EUR225,000. This is a lifetime threshold. If you have been living abroad with your family for a number of years, it is likely that you and your children are outside the Irish gift/inheritance tax net. There might be an opportunity to transfer assets to your children before returning to Ireland, in a way that would not be liable to Irish gift tax and would leave the EUR225,000 threshold intact for future gifts/inheritances.

3. Hong Kong pension fund

Have you built up funds in a pension fund while working abroad? Many Irish ex-pats returning home make the mistake of consolidating all their foreign pension funds into an Irish pension fund. However, if you are planning on returning to Ireland a Hong Kong pension fund is a far more tax efficient source of income than an Irish pension fund arrangement.

4. Rebase investments before returning

Once you become Irish resident again you will be taxable on any sales of investments. So for example if you bought shares many years ago when they cost 50,000, and they are now worth 200,000, you should "rebase" the investment before you come back to Ireland so that if you do sell it after you become Irish tax resident, you will only have to pay Irish tax on the increase in value over 200,000. If you do not rebase the investment before returning to Ireland you would have to pay tax on the entire gain since you bought it at 50,000. One way to rebase investments is to sell them on the open market and buy them back again, but there are other ways. One asset that Irish people living abroad often forget about when rebasing assets is foreign currency. Any deposits in non-Euro currency are considered "investments" for Irish tax.

5. Figure out when you will become Irish tax resident

Depending on the time of year you return to Ireland, you may become resident in Ireland for tax purposes before you even move to Ireland. You become tax resident in Ireland on 1 January of a tax year, depending how much time you spend in Ireland during that year. So if you return to Ireland early in the year (say March or April), you could well be tax resident in Ireland for the full tax year i.e. from the previous 1 January. So if you made a large capital gain or had investment income in January and February, you would be liable to Irish tax on that income/gain even though it arose before you moved back to Ireland.

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