

Tax for the Private Client

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Agenda

- The remittance basis of taxation
- Gift and inheritance tax – what are we telling clients?
- Tax exits for your client's business
- UK topical items



Case study

Fred

- Born in Ireland
- Married to Rose 2 children
- Returned to Ireland in 2013
- Took over the family business



Rose

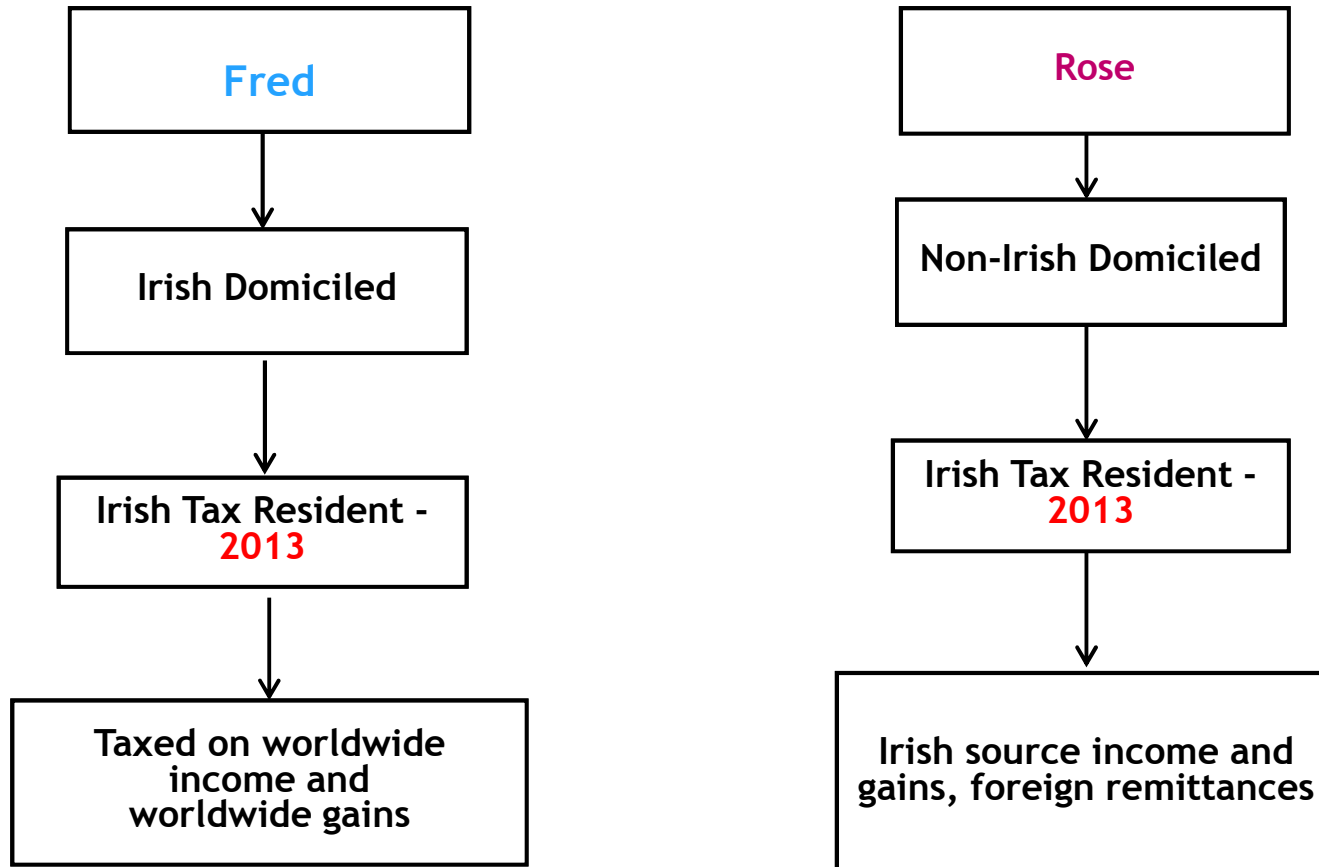
- Born in the UK
- Moved to Ireland in 2013 with Fred
- Business interests in the UK



Fred and Rose's assets

Fred	Value	Rose	Value
Shares in family company	EUR20m	Shares in UK company	GBP8m
Family home Dublin	EUR1.5m	Family home Dublin	EUR1.5m
UK rental property	GBP400k	UK rental property	GBP400k
Investment portfolio	GBP200k	Investment portfolio	GBP400k

Taxation Status – Fred and Rose

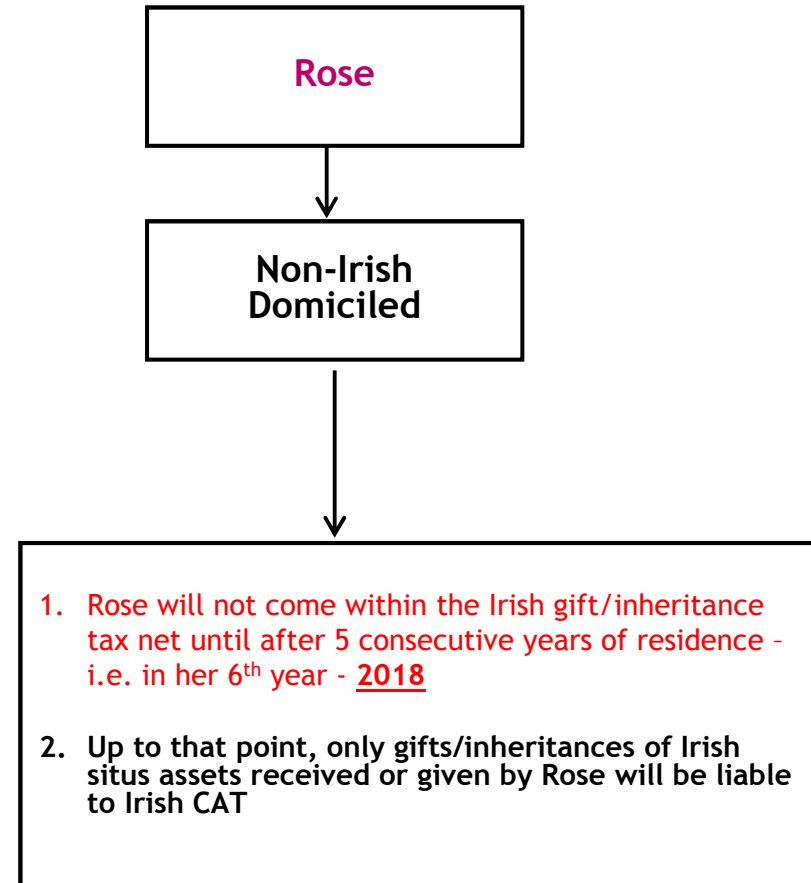
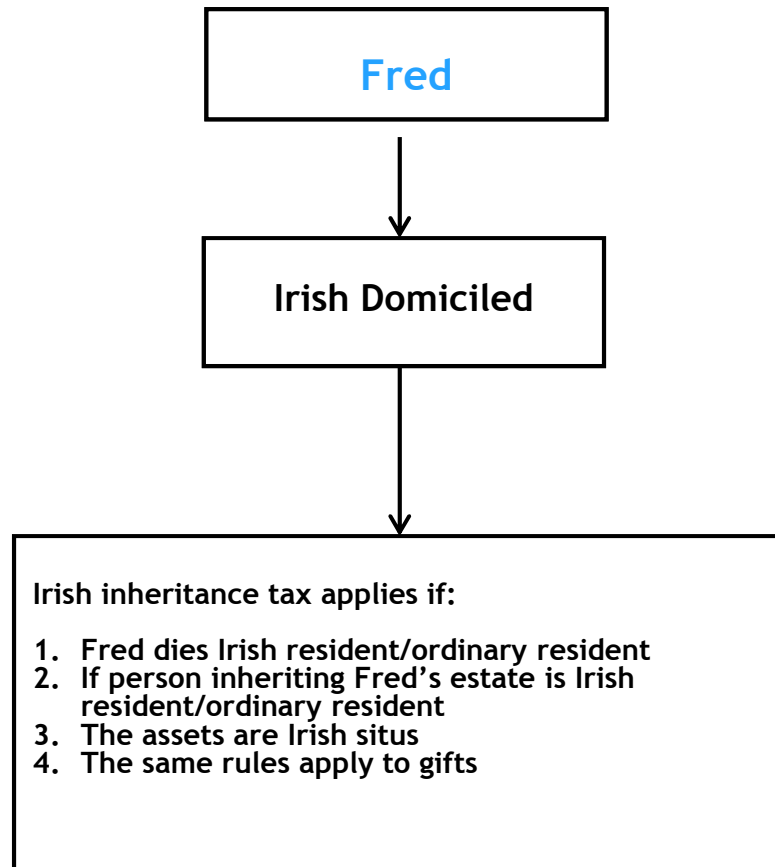


Portfolio issues

No remittance basis for:

- Income/gains brought into Ireland - Irish brokerage account
- EU funds/life policies
- Irish funds/equities

Gift and inheritance tax status



Inheritance by spouse

- ▶ Fred and Rose tax resident in Dublin
- ▶ Fred dies first?
- ▶ Rose dies first?



UK - Impact of Domicile

- If Rose dies first and is UK domiciled, GBP650,000 tax free, balance taxed at 40%

New provision

- Irish spouse, Fred, can elect to be UK domiciled
- Must elect within 2 years of death
- Inheritance is then exempt BUT if Fred dies within 4 years the estate will be liable to UK tax

Case study – The Modern Family

George - father

- Born in UK
- George UK domiciled
- Resident in Ireland < 5 years
- Wishes to assist Emily/grandchildren
- CAT issues?



Emily - daughter

- Emily's domicile
- Long term resident in Ireland
- Single parent
- 2 children, Jack 4 years and Jill 2 years



The Modern Family

- The domicile of Emily's children?
- Opportunities?
- Asset protection





George - grandfather

Rental income taxed on George

Gift - cash



Purchases Irish property



Jack & Jill - grandchildren

Produces rental income

Family home exemption Update



Family home exemption

- Gone for gifts?
- Dependent relative
 - *“means a relative who is –*
 - *(i) permanently and totally incapacitated by reason of mental or physical infirmity from maintaining himself or herself, or*
 - *(ii) of the age of 65 years or over.”*



Family home exemption

1. Beneficiary - Main residence for 3 years prior to date of inheritance
2. No interest in any other dwelling at date of inheritance
3. Continue to occupy for 6 years
4. Replacement rules
5. Dwelling house must be occupied by disponent as his/her only or main residence **at the date of death**



Family home exemption

- Does anyone want to retain/inherit the family home?
- Possible planning?
- After the event – is it too late?



Gifts to children



- Interest free loans to children
- Gift equal to free use of money
- Section 40(2) CATCA – “best price obtainable in the open market”
- Revenue Guidance updated example from a rate of 12% to 1.5% - *“Best rate a prudent depositor would obtain”*

Interest free loan

- Loan EUR1,000,000 to Mark and Aoife from Mark's parents
- Prudent deposit rate 1% gross
- Annual gift – EUR10,000 – covered by small gift exemption

Gross or net of DIRT? (0.61% net of DIRT)

Why lend instead of gift?

- No cash to pay gift tax 33%
- Hope that thresholds will increase or rates decrease
- Problem still there? - Income producing asset
- Possibility of becoming non-resident in future

Company structures

What is the end game....?

Exits for current structures


Set up to avail of current capital gain tax reliefs

1. Retirement relief –EUR750,000 exemption
 2. Entrepreneur relief – 10% on first EUR1m
 3. Holding company exemption – company level
- ▶ All applicable for sale and gift scenarios
 - ▶ Will they apply to existing structures?

Entrepreneur relief & retirement relief compared

	Retirement relief	Entrepreneur relief
Ownership period	10 years	3 years
Qualifying assets throughout ownership period	Yes	No
Working director	10 years	3 years
Minimum shareholding	25%/10%	5%
Proceeds capped	Yes	No

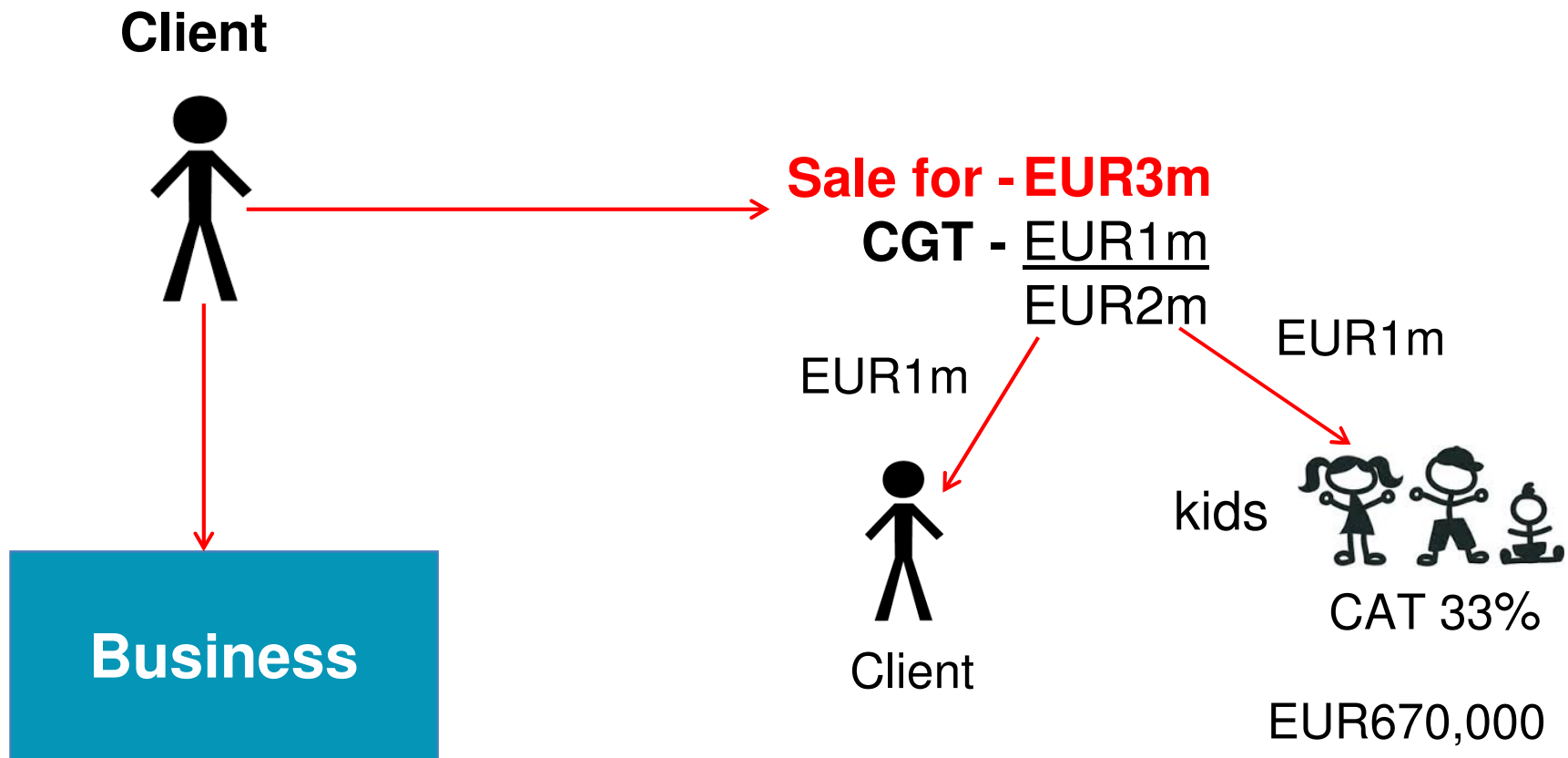
Plan to double up...

- Partial sale for at least EUR1m before 55
- First EUR1m at 10% - entrepreneur relief
- Keep at least 25% of company
- Sell for EUR750,000 after 55 – tax free – retirement relief 
- Husband and wife both in business – possible double up

Holding company structures: benefits

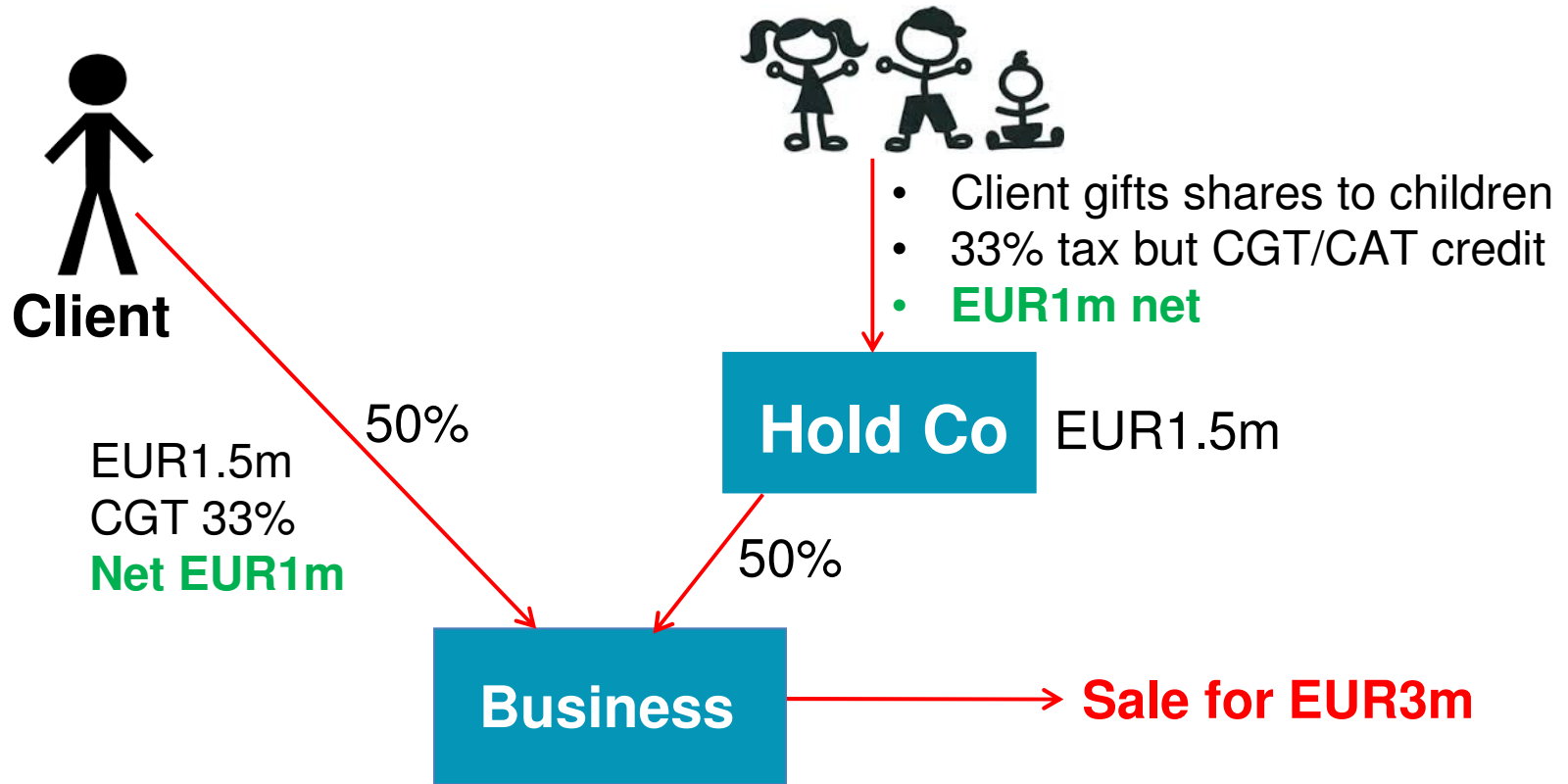
- No tax on sale
- Deferral of tax
- Wait until CGT rate reduces
- Become non-resident
- Shares can pass on death without CGT
- Gift shares to children and avail of CGT/CAT credit





After tax, client has **EUR1m** and children have **EUR670,000**

If client held 50% through Hold Co



After tax, client and children have **EUR1m each**

What is the ideal structure?

- Combination of personal and holding company is often the ideal structure
- Possible planning with entrepreneur relief



Alternative Estate Planning

- Baby boomer generation born between 1947 and 1964
- One-in-five of the adult population
- **SKI.....**
- **“Spending the Kids’ Inheritance”**



Landlords of UK residential property

Mortgage interest

- Restrictions from 6 April 2017 phased over 3 years
- 6 April 2017
 - 75% relief at higher rate
 - 25% relief at basic rate
- 6 April 2020 full restriction to basic rate



Wear & Tear allowance



- Previously – 10% of gross rents for furnished lettings
- 6 April 2016 – full costs incurred allowed
- Positive?

UK residential property

- ▶ Since 6 April 2015 any disposal of UK residential property falls within the UK tax regime

Don't forget!

- ▶ Non-resident capital gains tax return must be submitted to HMRC **within 30 days** of conveyance



Thank You