McCullagh Higgins & Co.
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DEADLINE APPROACHING

Capital Gains Tax (CGT) Relief (for the first 7 years of ownership) for property

The relief from Capital Gains Tax (CGT) (for the first 7 years of ownership) for properties purchased between 7 December 2011 and 31 December 2013 was **extended by one year to include properties bought to the end of 2014**. Where property purchased in this period is held for seven years the gains accrued in that period will not attract CGT.

A new CGT incentive is being introduced to encourage entrepreneurs (in particular "serial" entrepreneurs) to invest and re-invest in assets used in new productive trading activities.

CGT retirement relief is being further extended to disposals of leased land in circumstances where, among other conditions, the land is leased over the long-term (a minimum lease of 5 years) and the subsequent disposal is to a person other than a child of the individual disposing of the farmland. The purpose of the measure is to encourage older farmers who have no children to whom to transfer their farm to lease out their farmland over the long term to younger farmer.

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Capital Gains Tax relief on property held for 7 years? The property must be acquired by 31 December 2014 (Extended by Budget 2014).

In Finance Act 2012 (section 64 inserting section 604A into the Taxes Consolidation Act 1997 as amended (TCA)) a Capital gains tax (CGT) relief was introduced for those who purchase property (land and buildings) and hold onto it for 7 years.

The relief is that no CGT is payable on any gain attributed to the first 7 years of ownership on the disposal of the property. If the property is held for more than 7 years the taxable gain excludes the portion calculated as – total gain X 7 years / total period of ownership.

<u>The conditions to avail of this relief are</u>:

1. The land or buildings must be situate within Ireland or an EEA State (an EU Member State or Iceland, Lichtenstein or Norway);
2. The land or buildings must be acquired at market value (or at 75% or more of market value if purchased from a relative (as defined in section 10 TCA which includes brother, sister, uncle, aunt, niece, nephew, ancestor or lineal descendant);

3. The land or buildings must have been acquired in the period between 7 December 2011 and 31 December 2014 (extended by Budget 2014);
4. The land or buildings must be held by the owner for at least 7 years from the date acquired; and
5. Any income or profits or gains derived from the land or buildings must be within the charge to Irish income tax or corporation tax.

There are also anti-avoidance provisions which prevent the relief from applying if any arrangements (as defined in section 546A TCA) have been put in place and the relief would be less without the arrangements being put in place.

Example: A client acquires a building in Ireland in September 2013 for €300,000. The building is rented out to tenants. He pays income tax on the rental income. He disposes of the building in September 2022 (9 year ownership period) for €900,000.

Conditions for s604A relief are all satisfied – building is located within the specified territory, it was purchased within the specified period, income on the property is liable to Irish income tax and property was held for 7 years.

Sale price:	€900,000
Less	
Acquisition Cost	€300,000
Gain	€600,000
Exempt portion	
€600,000 X 7 / 9 =	€466,667
Taxable portion	€133,333 (Liable to CGT at relevant rate in 2022)

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If you would like to discuss the above or require representation, then please do not hesitate to contact our office.

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