OHT Guide to Finance Bill 2024

Finance Bill 2024 contains the legislation for provisions introduced last week in Budget 2025.

CAT Thresholds

The three tax-free thresholds are being increased for benefits taken on or after 02 October 2024, and the new rates are as follows:

- Group (a) from €335,000 to €400,000,
- Group (b) from €32,500 to €40,000, and
- Group (c) from €16,250 to €20,000.

It is important to note that the thresholds only apply for gifts or inheritances taken on or after 02 October 2024.

In general, inheritances are taken on the date of death, and therefore the new thresholds do not apply for inheritances where the deceased died before 02 October 2024, even where the valuation date arises after 02 October 2024.

Benefits taken from certain trusts may be able to avail of the new thresholds even if the deceased died before 02 October 2024 if the date of inheritance for these benefits is the date of appointment from the trust.

Stamp Duty

A new 6% Stamp Duty rate has been introduced on residential properties from 02 October 2024. The stamp duty rates for residential properties will be:

- 1% up to and including €1m.
- 2% over €1m and up to and including €1.5m.
- 6% above €1.5m.

The transitional provisions contained in the Financial Resolution have been included in the Bill so the new 6% rate will not apply:-

- where there is a binding contract in place before 02 October 2024,
- the instrument of transfer is executed before 01 January 2025, and
- the instrument contains a certificate certifying that the instrument was executed solely in pursuance of a binding contract entered into before 02 October 2024.

The new 6% rate is disapplied where 3 or more apartments in the same block of apartments are being acquired so that the existing rates of 1% and 2% will apply to such a purchase.

CAT on Family Loans

S. 98 Finance Bill 2024 amends the rules for reporting benefits involving family loans.

It removes the saver that prevented the reporting obligation from arising if any interest is paid.

Following this amendment the reporting obligation is triggered where the beneficiary has:

- relevant loans with a total value of €335,000 on at least one day in a year, and
- is deemed to take a gift where full consideration in money or money's worth has not been given for the use of the funds.

The threshold for the provision has not increased to match the new group (a) threshold of €400,000.

Revenue's view is that the best price referred to in section 40(3) CATCA 2003 is the highest price a prudent lender/depositor could get in the open market from prospective prudent borrowers.

CAT Agricultural Relief

A new section, 89A CATCA 03 is to be introduced for Agricultural Relief. S.89 CATCA 03 continues to apply for gifts and inheritances taken before 01 January 2025 and will then be replaced. The new section 89A will apply for gifts or inheritances taken on or after 01 January 2025.

This new section is on similar terms to the old legislation but here are some noteworthy differences:

- The amendment extending the 6-year activity test to the donor, which was announced in Budget 2025, is included in S. 89A CATCA 03.

- Under the new legislation, the donor is required to own the agricultural property for 6 years to the date of benefit. There is provision for the relief to be available in full, where a disposal occurs in this 6-year period prior to the benefit being taken, provided that the full proceeds are expended in acquiring new agricultural property.

- Provision is also made for transitional rules for benefits taken before 31 December 2030. In such a case, the “6-year” review period for a donor will be shorter than 6 years, only taking into account the period from 01 January 2025 to the date of the benefit.

- There is no provision for agricultural relief in the proposed legislation where a benefit is left on the condition that an investment is made in agricultural property within 2 years of the date of gift or inheritance.

CGT on Disposals over €10m to Children

Where an individual aged 55 or over but not yet 70 disposes of qualifying assets to a child on or after 01 January 2025, and the market value of the qualifying assets does not exceed €10m then relief is given on the disposal.

However if the market value of the qualifying assets is greater than €10m, relief is calculated as if the consideration for the disposal had been €10m, and so there is partial relief and the parent will have a liability to CGT on the balance of the gain.

The Finance Bill 2024 includes a new ‘retention period’, which is the 12 years beginning on the date of the disposal to the child, and it provides for a deferral of the parent’s CGT.

It applies to a ‘relevant disposal’, i.e. a disposal which involves qualifying assets with a market value in excess of €12m. The parent making the transfer to the child will have the option to make a claim to defer payment of the CGT on the disposal in his tax return and this will have effect until the end of the 12 year retention period, unless the child disposes of the asset in the interim.

If the child disposes of the assets in the 12 year period the deferred CGT will be assessable on the child, in addition to any CGT arising to the child if the assets have risen in value in the child’s hands. If the child holds for the full 12 years then at the end of the retention period he can make a claim to Revenue for an abatement of the deferred CGT, following which it will cease to be due and payable.

The claim for relief, deferral or abatement only applies where it would be reasonable to consider that the disposal of such assets is made for bona fide commercial reasons.

Conclusion

Finance Bill 2024 runs to 118 sections and over 200 pages, and implements the taxation changes announced on Budget Day. The sections in the Finance Bill are subject to change as they are considered by the Dáil and Seanad and will not be finalised until they are enacted when the legislation is signed by the President.

Caveat: *These notes are intended as a general guide to Finance Bill 2024. OHT has endeavoured to provide an accurate commentary but the notes cannot cover all circumstances. OHT strongly recommends that formal tax advice be obtained before any steps are taken that may have a tax effect.*