

MONEY

LEVEL OF RESIDENTIAL MORTGAGE APPROVALS FOR FEBRUARY 2026

€1.19bn
UP 10% ON FEBRUARY 2025

FIRST-TIME BUYERS' SHARE OF HOME LOAN APPROVALS IN FEBRUARY 2026

63.5%
AVERAGE APPROVAL VALUE €325,000

SOURCE: BANKING & PAYMENTS FEDERATION IRELAND

There is one thing that nobody wants to leave their loved ones upon their death: a tax bill. The key to maximising tax efficiency in the transfer of assets from one generation to plan ahead and act sooner rather than later. Capital Acquisitions Tax (CAT), currently charged at 33 per cent, is levied on sums above set thresholds which are set at different levels for different beneficiaries.

The highest threshold is €400,000 for category A legacies (child), or €40,000 for category B (siblings, grandchildren, nephews and nieces), and €20,000 for category C (bequests (cousins, strangers)). While thresholds have been increased in recent years, rising asset values, primarily property prices, and falling family sizes, now mean that CAT is no longer just a concern of the wealthy as even fairly modest estates can fall in the tax net.

Thankfully, there are a number of mechanisms which can reduce the tax burden for both you and your heirs.

SMALL GIFT EXEMPTION

The easiest way of reducing a CAT liability is the small gift exemption where an individual can gift up to €3,000 per annum to another person without affecting their lifetime CAT threshold. While this may seem like a modest amount, the impact over time can be significant, particularly when combined with investment growth.

"It's a very effective way of both limiting CAT liability and increasing wealth," says Nick Charalambous of Alpha Wealth, a financial advisory firm based in Cork. "For example, two parents can gift up to €6,000 per year to a child. If these funds are invested, often through simple structures such as bare trusts, and achieve a net return of 5 per cent per annum, this could grow to €79,240 over ten years, €208,315 over 20 years and €418,564 over 30 years."

Still much under-utilised, the small gift exemption scheme is growing in popularity as both parents and grandparents use it to cover costs such as childcare, education and even as a way of helping successive generations get on the property ladder.

"Gifting demonstrates the power of both regular careful planning and compounding," Charalambous adds. "The earlier you start, the greater the long-term benefit. However, it's important to be aware that once the money is gifted, it legally belongs to the child and typically can't be accessed until they reach the age of 18."

SECTION 72 POLICIES

The Orwellian sounding Section 72 insurance policies are designed to help offset inheritance tax liabilities. Payments are made by the bequestor over a minimum period of eight years and the proceeds are paid as a lump sum on death on condition that they are used specifically to cover the inheritance tax bill.

A Section 72 policy can be particularly valuable in protecting assets such as the family home by ensuring beneficiaries aren't forced to sell property to meet a potential tax liability. "For example, if a property valued at €500,000 is transferred to a child, the potential tax liability of €33,000 can be covered by the policy," Charalambous says.

"It's worth noting that these policies are subject to medical underwriting meaning that eligibility and premium cost will depend on age and health, so it's a good idea to take them out as early as possible."

SECTION 73 POLICIES

The equally glamorous sounding Section 73 policies are typically used to offset tax on lifetime gifts: in other words those made while the bequestor is still alive. These allow families to pass on wealth and set aside funds to cover any resulting tax liability.

It avoids the danger of double taxation, whereby a gift to help a beneficiary meet a tax bill on a gift could itself attract CAT. They tend to be more rigid and more expensive as they are often taken out later in life.

Unlike Section 72, these are generally structured as savings-based plans and may not require medical underwriting, and must meet the specific Revenue conditions.

Nobody wants to leave their loved ones with a tax bill when they die

Capital Acquisitions Tax is no longer just a concern of the wealthy, but mechanisms exist that can cut the burden for you and your heirs, *Kieran O'Daly* writes



“The earlier you start gifting to your children, the greater the long-term benefit”

DWELLING HOUSE EXEMPTION

For most people, the family home remains the largest asset in any will. For the property to be excluded from the value of the estate when assessing CAT liability, a child must live in the property for a period of three years, not own any other property and it must continue to be their only place of residence for another six years after inheritance. The house must also have been the main resi-

Dudley Moore and Liza Minnelli in the film Arthur, whose main character was the heir to a vast fortune. However, inheritances are no laughing matter as people often struggle to deal with complex tax issues

dence of the bequestor at the time of their death. Parents can transfer land to a child without incurring Capital Gains Tax (CGT) liability provided that the site is valued at under €500,000, is less than one acre in size and is intended to be used as the site for a principal residence.

INTEREST-FREE LOANS

Another option for parents possibly looking to help their offspring financially is an interest-free loan. Requiring a written agreement to prove that it's a loan rather than a gift, the beneficiary must declare the value of the free use of the money to Revenue for tax purposes. The tax liability is assessed on the highest rate of return the person making the loan could obtain by investing the funds on deposit. The return is deemed a gift and is taxed accordingly if it exceeds the annual gifting threshold.

Any loans above the Category A CAT threshold of €400,000 must also be reported to Revenue where a below market interest rate on the sum is agreed.

BUSINESS RELIEF

While transferring assets between families can be fraught with emotion at the best of times, it can prove even more difficult where there is a business involved. Business relief reduces the taxable value of an inheritance by 90 per cent and when used with the CAT threshold may reduce your liability to zero.

Fortunately, there are a number of schemes available which can significantly help to reduce tax liability for both owners and their heirs.

"For business owners and their heirs the fundamental principle is to avoid paying twice on the same event," Jonathan Sheahan, of Compass Private Wealth, based in Dublin, explains. "Why spend years building up a business and paying tax along the way, if you or your children have to pay again when the time comes to pass it on? Minimising liability requires careful planning and a multi-layered strategy combining some or all of the available schemes."

Assuming the business will continue to grow, the key is to pass it on early, Sheahan believes. "It's the best way of reducing your tax bill while ensuring that your beneficiaries will enjoy the fruits of that growth from the earliest possible juncture," he adds. "It's a complex area, so it's crucial to get professional advice before making any big decisions."

FAMILY LIMITED PARTNERSHIPS

These partnerships can play a significant role in protecting and growing intergenerational wealth as heirs are granted an economic stake in the business at an early stage that enables them to enjoy the full benefits of any future growth. However, they are not permitted to participate in the management of the company, which remains with the principals, who are usually the parents.

GROWTH SHARES

This is another avenue through which parents can cut their children in for a share of any future growth without relinquishing control of their business. These shares are tax-free to the recipient who isn't obliged to work in the company.

RETIREMENT RELIEF

A good way of reducing tax liability while encouraging early transfer of a business, retirement relief on CGT is offered to anyone selling a company or a farm. Subject to certain conditions, sellers are exempted up to €750,000 if they are aged 55-69 and selling to someone outside of their own family and €500,000 if aged 70 or above. If selling to a family member, the exemption ceilings are increased significantly, to €10 million for those aged 55-69, and €3 million for those aged 70 or older.

FAVOURITE NEPHEW OR NIECE RELIEF

A relative may get the same relief and CAT threshold as a child, if the or she has worked in a business or farm for at least two years prior to the inheritance.

Question of money



After more than 15 years as an employee in a large tech firm, I've decided to set myself up as a sole trader. I'll be working from home and want to keep overheads to a minimum — so I've heard sole trading is the easier route. Would a limited company be the safer option though? And how do I choose between both?

Anon

If your priority is to get up and running quickly and keep overheads low, starting as a sole trader is usually the right move. It's simple, inexpensive and avoids unnecessary administration at a stage where your focus should be on winning work and generating income.

But that simplicity has a shelf life. As a sole trader, you and the business are one and the same. All profits are taxed as personal income, which means as your earnings grow, you can quickly find yourself paying tax at the highest marginal rate (upward of 52 per cent), with little flexibility around how or when you take income. So, what starts out as simple can become expensive.

A limited company, by contrast, is less about simplicity and more about control. Profits are taxed within the company, and you decide how and when to extract income. That flexibility becomes increasingly valuable as your income grows or becomes less predictable.

Another practical difference is pension planning. As a sole trader, tax-relieved contributions are subject to age-related limits. Within a company structure, employer contributions offer greater flexibility, which can be valuable for higher earners looking to build long-term wealth in a tax-efficient way.

In sectors such as tech and professional services, there's also a practical reality to consider. Many organisations prefer to engage contractors through limited companies rather than as sole traders, often due to concerns around employment status.

In practice, there are a number of clear triggers that should prompt you to consider moving to a company structure. The first is your income level: Once your income moves beyond €80,000 to €100,000, it's worth reviewing whether you should move to a limited company.

The second is surplus income: If you don't need to draw all of your profits to live on, a company allows you to retain funds and plan when to extract them.

Finally, look at the risk profile of your business. If the work carries a higher level of responsibility or potential liability, a company can provide a level of separation between you and the business.

That said, a company is not a free upgrade. It comes with additional responsibilities such as accounts, payroll and ongoing compliance, along with higher costs. It also requires a more disciplined approach to managing your finances.

David O'Reilly is chief financial and tax officer at Fenoro

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Eoghan Gavigan Simon says we need a new product for first-time buyers



I was thinking recently about the new investment product which has been mooted to emerge from current discussions on how to put some of the €170 billion in low or no interest bank accounts to use.

It's in the embryonic stages but it seems that the plan is to establish a product which will be offered through a limited number of providers, which won't be subject to capital gains tax or exit tax, but the capital balance of which will be taxed at a very low rate each year. Don't get too excited, indications are that this is going to be limited to a

modest amount of savings, perhaps about €25,000, so it is not going to change the investing landscape dramatically for larger investors.

Firstly, I don't understand why an entirely new product is required. The industry has been asking for two things for a long time — a reduction in the rate of tax on investments to something closer to Capital Gains Tax rate of 33 per cent and abolition of the deemed disposal rule which requires an investor to pay tax on unrealised or notional gains every eight years.

In my view, if you really want to tackle

the issue of the idle €170 billion, any travel along either of these roads would be preferable to an entirely new product which by its very nature, will have limited use. That aside, if the government are set on going down this road, they could just amend the taxation of existing investments. No new product is required. If an investment is less than the maximum amount permitted, it should be simply designated as qualifying for the different tax treatment.

Rather than reinventing the wheel, why don't we try to improve it? We are

told that the policy objective is to encourage Irish households to invest and to counter the destruction of wealth caused by the large amount of funds sitting on deposit which are being devalued by inflation.

It's always good to kill two birds with the one stone. So is there anything else we could think of that maybe we could do with improving, such as the plight of first-time buyers?

If we are setting out on developing an entirely new product, some would say for a bit of fanfare and positive spin, why don't we try to do something positive which would actually require us to devise a new product?

Why don't we develop a product similar to the UK Lifetime Isa, also known as the LISA? This product is for adults aged 18-39. An individual can contribute up to €4,000 per year. The government adds a 25 per cent bonus and it can only be used towards a deposit for a first home or accessed at age 60. Withdrawals for other purposes trigger a penalty. We don't have to

Rather than reinventing the wheel why not try to improve it

mimic the LISA precisely. We could set our own rules to achieve the desired policy objective. Instead of the government contribution, we could eliminate the tax on gains.

I would suggest that an annual limit, along the lines discussed, of €25,000 per person, may be appropriate for a LISA-type product. Saving this amount demonstrates a repayment capacity for

I haven't patented this, it's not about anyone taking credit, it's for the greater good. No fanfare or spin here. I'm not expecting it to be called the Eoghan. Yet it would go some way to achieving the same policy objective as is being worked on at present and it would also give first-time buyers just that little bit of an edge over others in the market. Non first-time buyers will benefit too, but over a longer timeframe, as it will form part of their retirement provision, thus reducing any possible inflationary effect.

Of course, I hear you say first-time buyer issue is a supply side issue and increasing demand will not help. I know that, I'm not seeking to increase demand but rather to skew the benefit of this proposal just that little bit towards those who need it most.

And the name for my new product, the Savings and Investment for Mortgage Ownership Now, or the SIMON for short.

Eoghan Gavigan is a certified financial planner and the owner of Highfield Financial Planning hfp.ie