Will you face an inheritance tax bill?

In Budget 2025, it was announced that the thresholds at which people start to pay Capital Acquisitions Tax would be raised.

This increase in thresholds is welcomed and the rates[1] now stand at:

Category		Previous Threshold	New Threshold	% increase
A	From parents to children[1]	€335,000	€400,000	19%
B	Siblings, nieces/nephews, grandparents, uncles/aunts[1]	€32,500	€40,000	23%
C	All others	€16,250	€20,000	23%

While the new thresholds took effect from 2nd October 2024 (the day after the budget), it is the date of death which determines what threshold is applicable. For example, if the donor died in July 2024, the relevant threshold for the beneficiary would be those that previously applied.

We still need to ask ourselves a question. If we were to die tomorrow and everything we own was passed to our children, would they be financially better off than they are now?

While the answer is probably yes; it is important to note that our children could still be faced with a huge tax liability which they are unaware of.

This is especially the case where a child or children inherit the family home. A recent article[2] highlighted that 'In Dublin the asking price was €569,000, with values rising at an annual rate of almost 10%'. This means the inheritance of a house in Ireland can give rise to a substantial tax liability. If a property valued at €569,000 is inherited by a grandchild, it gives rise to an inheritance tax bill of €174,570.

The amount which a child can inherit tax-free from parents and grandparents has just increased, but as you'll see overleaf, it is still a long way off what those thresholds were in 2008/2009 (despite the booming economy and rising property prices). This means that the tax liability remains significant.

[1] **Source:** For full details see https://www.revenue.ie/en/gains-gifts-and-inheritance/cat-thresholds-rates-and-aggregation-rules/cat-groups-thresholds.aspx

[2] **Source:** https://www.irishtimes.com/business/economy/house-prices-surge-13-as-red-hot-demand-outstrips-supply-1.4605003

How Inheritance Tax has changed over the last few years[1]:

	Tax liability in 2009	Tax liability from Oct 2024
Amount a child can inherit tax free from a parent	€434,000	€400,000
Tax Rate Applicable over the tax-free threshold	25%	33%

	Tax liability in 2009	Tax liability in 2024
Value of Parents' estate	€600,000	€600,000
Net Estate after threshold (assuming 1 child)	€166,000	€200,000
Tax payable by child	€41,500	€66,000

This represents a sizeable tax liability in 2024 for a child whose parent died after October 2024, which a child may struggle to pay at a time when they would have enough to contend with. They may even have to sell assets to meet the liability.

What can be done to reduce the tax burden?
There is a solution. By taking out a Section 72 Inheritance tax policy, that tax can be paid when the child inherits your estate.

A Section 72 policy is a Life Insurance policy set up by parents under Section 72 trust for their children. The proceeds of the policy are exempt from inheritance tax because they are used to pay off inheritance tax[3]. It's required to register these trusts on the Central Register of Beneficial ownership of trusts (CRBOT).

The effect is that your children inherit your estate without having to pay inheritance tax, yet the Revenue will receive the tax that was incurred on the passing of your estate.

Zurich Life offers a Section 72 policy through the Guaranteed Whole of Life policy, where the premiums are guaranteed not to change for the duration of the plan.

Talk to your financial broker or advisor today about Zurich's Guaranteed Whole of Life policy which may be used for the purposes of Section 72.

[3] **Source:** The tax liability will be fully or partially paid off depending on the estate value and the policy sum assured.

Zurich Life Assurance plc
Zurich House, Frascati Road, Blackrock, Co. Dublin, A94 X9Y3, Ireland.
Telephone: 01 283 1301 Fax: 01 283 1578 Website: www.zurich.ie
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The information contained herein is based on Zurich Life's understanding of current Revenue practice as at January 2025 and may change in the future.

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