

# Small Gift Savers – Frequently Asked Questions

We know how important it is to have all the right information at your fingertips when discussing options with your clients.

That's why we've gathered some of the most frequently asked questions we've received from Financial Brokers over the two decades since we launched the **Zurich Child Savings Plan**.

The plan itself is a regular savings policy. There are initial policy owners and lives insured. Where a life/lives insured die, the policy will pay out. Savings policies cannot be sold to anyone under the age of 18 years of age, so in order to facilitate the payment of gifts to a child under 18, the policy can be assigned to that child.

The following are some of the most common questions that have arisen over the last number of years. Whether it's clarifying the role of initial policy owners, understanding the payout process in case of unforeseen circumstances, or navigating the rules around assigning policies to minors, we've got you covered.

What is the basis of the Child Small Gifts Saver Policy?

The Child Savings Plan was set up to avail of the Small Gift Exemption of €3,000 per calendar year. The policy is taken out by the initial donors of the gift (parents/grandparents) and it is the Donors who commit to paying the premiums. The Donors (parents) assign the Policy to the Donee (child), such that, following the Assignment, legal and beneficial title to the Policy (and thereby, the right to the proceeds of the Child Savings Plan on encashment) vest in the Donee/child.

The Child Savings Plan operates as follows:

- An individual(s) (the "Donor") takes out a Zurich Life assurance policy (the "Policy"), in his/their own name with a view to assigning the ownership of the Policy to a child beneficiary (the "Donee");
- The Donor assigns the Policy to the Donee (the "Assignment"), such that, following the Assignment, legal and beneficial title to the Policy (and thereby, the right to the proceeds of the Child Savings Plan on encashment) vest in the Donee.
- The Donor makes a premium payment (or, a number of premium payments) in respect of the Policy after the Assignment; and
- Upon encashment / pay-out of the Policy, the Donee is entitled to the proceeds thereof. Benefit is payable to child once child reaches 18 – otherwise it is paid to the parent/guardian but for the benefit of the child.

Section 5 of the Capital Acquisitions Tax Consolidation Act 2003 (CATCA 2003) sets out that a person becomes chargeable to Capital Acquisitions Tax (CAT) on a gift when a person becomes "beneficially entitled in possession, otherwise than on a death, to any benefit (whether or not the person becoming so entitled already has any interest in the property in which such person takes such benefit), otherwise than for full consideration in money or money's worth paid by such person."

Therefore, to become chargeable to CAT after a gift the following criteria must exist:

- There must be a beneficial entitlement
- It must be in possession

Through the assignment of the Child Savings Policy from the initial donors to the Child, the two criteria above are fulfilled i.e., the child has beneficial entitlement to the policy and the premiums paid into the policy and any growth, are deemed to be in their possession.

Following that, once the premiums payable into the Child Savings Policy are €3,000 per calendar year per donor, those premiums fall under the Small Gift Exemption and does not reduce the relevant CAT Threshold for Gifts and inheritances.

What is the norm when grandparents fund a Child Savings Plan?	The grandparents complete the application form as initial policy owners and lives insured. Immediately as the policy is issued, and before premiums are paid, the policy is assigned to the minor child which means that the premiums paid into the policy are treated as gifts to the child and therefore does not affect the relevant thresholds for the purposes of CAT.
Is it ok for the Direct Debit Mandate (DDM) to be from the grandparents?	As the grandparents are the donors, payment will have to be a DDM from an account in the grandparents' name.
If so, must they be the Policy owner + assignor?	The policy is issued in the initial names of the grandparents and then immediately assigned to the child. From that point, the child is the policy owner going forward.
Or can the parents of the child be the policy owners?	No. If the parents are not the donors they cannot be the policy owners. If the parents are to be deemed the donors, the DDM would have to be taken from their own account and not the grandparents. If the parents wish to gift premiums to their children, they would be required to set up their own Child Savings Policies and have the money taken from the parents' accounts. It would not be possible to have the initial policy owners/donors as the parents with the grandparents paying the premiums.
What if the child already has money in an account in their own name, can that be invested?	<p>The way in which the Child Savings Plan is set up is that the donor who wishes to pay the €3,000 Small Gift exemption per calendar year (€6,000 if two parents) commits to doing so and is the only contributor to the policy. This is covered in the Assignment Form where it states, "The Donor(s) shall continue to pay any premiums in respect of the policy as annual gifts to the Recipient but shall not be obliged to continue paying such premiums in the event that he/she/they do not wish to do so."</p> <p>So, technically Zurich would be unable to accept the money from the child's account in this case, as the child is not the donor on the Child Savings Policy.</p> <p>However, a solution would be for the money currently lodged in the child's account to be transferred into the account of the parents, from which we can take the single premium (SP) when the Child Savings Plan is being set up. This transfer into the parents account should not give rise to a Capital Acquisitions tax liability for the parents. Section 5 of the Capital Acquisitions Tax Consolidation Act 2003 (CATCA 2003) sets out that a person becomes chargeable to CAT on a gift when a person becomes "beneficially entitled in possession to the benefit", so the two criteria above must still exist:</p> <ul style="list-style-type: none"> <li>• There must be a beneficial entitlement</li> <li>• It must be in possession</li> </ul> <p>So, while the money transferred into the parents account might be seen as being in their possession, the parents do not have beneficial entitlement to that money as the transfer is only being made to facilitate the payment from the Child's Account into the Child Savings Plan. This is purely Zurich's interpretation of the tax implications so if any further queries on this should arise, the clients should seek professional tax advice.</p> <p>Once the money has been transferred into the parent account, the Child Savings Plan can be set up, assigned to the child and then premiums amounting to €6,000 per year and the Single Premium Injection from outset may be made.</p> <p>A record should be taken of the Child's account, the transfer from that account into their parents and then the subsequent investment into the Child Savings Plan, to ensure that it is seen to be money coming from the child into their own policy and not deemed a gift from the parents. This should avoid the Group A Threshold for CAT being reduced by the Single premium, but as CAT is a self-assessment tax, it would be necessary to keep a paper trail of the money transfers taking place before being invested in the Child Savings Plan.</p>



<p>Can a policy be assigned to a child living overseas?</p>	<p>With regards the cross-border policy relating to other jurisdictions, Zurich's Compliance Team have advised assignments that are contractually allowed within the policy Terms and Conditions (which Zurich's Legal team have advised above) are treated as 'Changes to Contracts' within the Cross-Border Guidance and can therefore proceed as normal for this type of policy. Therefore, from a cross-border basis, these can proceed.</p> <p>Assignment to an adult child based overseas is not allowable.</p> <p>Whether there is an immediate tax implication with the grandchildren living abroad is something Zurich cannot comment on and the onus is on the parents of the children to arrange this. The Child Savings Plan is available to donors who wish to avail of the Small Gifts Exemption i.e. €3,000 a year to any person which does not reduce the relevant threshold for CAT purposes.</p> <p>This is an Irish Tax Exemption written under Irish Tax Law, and comes under Capital Acquisitions Tax which is Gift/inheritance Tax in Ireland. If the donor takes out the plan here in Ireland, they are contributing the €3,000 a year to the savings plan, under Irish tax law and therefore it does not have any consequences for them in Ireland.</p> <p>The policy being assigned to the child is again the route which Zurich took to allow a minor child to 'own' the policy however, as these children are resident overseas, they may have a tax liability on the value of the policy when it is payable as it may come under the local jurisdiction tax rules.</p> <p>Zurich are not able to comment on overseas tax law and rules and the clients would need to investigate what taxes may apply, if any.</p>
<p>Does the above apply if the child is resident in the USA?</p>	<p>If the child is resident in the USA, Zurich's Compliance Team have advised that we would not be in a position to proceed from a cross-border perspective.</p>
<p>What is the difference between assigning the savings policy to a child and setting the policy up under General Trust?</p>	<p>Section 5 of the Capital Acquisitions Tax Consolidation Act 2003 (CATCA 2003) sets out that a person becomes chargeable to CAT on an inheritance when a person becomes "beneficially entitled in possession, otherwise than on a death, to any benefit (whether or not the person becoming so entitled already has any interest in the property in which such person takes such benefit), otherwise than for full consideration in money or money's worth paid by such person."</p> <p>Therefore, to become chargeable to CAT the following criteria must exist:</p> <ul style="list-style-type: none"> <li>• There must be a beneficial entitlement</li> <li>• It must be in possession</li> </ul> <p>So, by setting a policy up under General Trust, these two criteria are not met until such time that the savings plan is encashed and the money payable to the beneficiary. It is at this point that the beneficiary has an entitlement and is in possession to the accumulated fund of the savings plan, thereby triggering a Gift (Capital Acquisitions) Tax Liability.</p> <p>Then, it comes down to the relationship between the policy owner (donor) and the beneficiary. If it is parent/child relationship, then the €400,000 is effectively reduced by the value of the accumulated fund i.e. <math>€400,000 - (10 \times €3,000) = €370,000</math> for future gifts and inheritances.</p> <p>If it is grandparent/grandchild relationship, then the Group B Threshold is reduced <math>€40,000 - €30,000 = €10,000</math> for future gifts/inheritances under that Group.</p> <p>This is why we use the Assignment Model for the purposes of the Small Gifts Exemption. Upon assigning the policy to the child, the child is beneficially entitled to the savings plan and the savings plan is in their possession. From outset the premiums into the Child Savings Plan are deemed to be gifts to the child, therefore satisfying the two criteria above. Once those premiums are €3,000 or less per calendar year per payor, no liability to Capital Acquisitions Tax will arise.</p> <p>Zurich's Technical Services Team have produced a Technical Guide on this topic which is available on Zurich's website.</p>
<p>Must the annual €6,000 per couple be invested before tax year end i.e. before the end of the relevant tax year?</p>	<p>Yes, Revenue state that the annual gift tax exemption applies in the calendar year.</p>

Is it possible to pay in more than €3,000 per donor into the policy?	<p>Yes, there is no limit as to what premium can be invested in the Child Savings Plan. However, any amount in excess of the Small Gift Exemption of €3,000 per donor will 'eat' into the relevant threshold for CAT purposes.</p> <p>For example, should two grandparents pay in €10,000 per year into the policy, the extra €4,000 per year will reduce the Group B Threshold of €40,000 each year.</p>
Can you backdate for previous years if none taken previously?	No, there is no facility to back date to previous years if the exemption has not been available before.
Is your contract open ended or must a term be specified?	Zurich Life's Child Savings Plan is an open-ended contract.
Are funds in the event of an encashment taxed at exit tax on profits i.e. 41%?	<p>Yes, normal Exit Tax rules will apply to the contract.</p> <p>Also, as the normal Exit Tax rules will apply, the tax will apply on the 8th anniversary of the contract, as with other savings and investment policies.</p>
If the child is a minor, can a partial encashment be made?	<p>Where the child/assignee is under the age of 18, the parent/guardian may make a partial encashment on behalf of the child.</p> <p>It is important to note that the encashment must be for the benefit of the child, which is covered in the Assignment Form where it states "If and so long as the Recipient is a minor the right to surrender (in whole or in part) the Policy may be exercised on his or her behalf by his or her parent or lawful guardian whose receipt shall be a good discharge for any money payable on encashment or surrender of the Policy or otherwise."</p>
What happens if parents fall out with children, can they reverse their assignment?	Generally, Absolute Assignments such as the one being used for Zurich's contract cannot be reversed.
Who owns the policy after the policy has been assigned over?	As per above, The Donors (parents) assign the Policy to the Donee (child), such that, following the Assignment, legal and beneficial title to the Policy (and thereby, the right to the proceeds of the Child Savings Plan on encashment) vest in the Donee/child;
Does the minor child have to be told that a policy has been set up for him?	No, as the child is not required to sign any part of the assignment form, the policy could be set up without him/her knowing.
Who can make the decision to cash in the plan?	An adult child may make the decision to cash in the plan, however if the child is still a minor, the parents/guardians may encash on the child's behalf. The parents must use the encashment for the full benefit of the child only.
Can a donor nominate that the plan cannot be cashed out for a number of years, say 10 years for example?	There is no facility on the Child Small Gift Saver to restrict any payment out. If the child is over 18 they can legally encash the policy themselves. If the donors wish to restrict any payment out of the policy they would need to seek legal advice on this matter.
Where a sole grandparent took out a Child Savings Plan for his/her grandchild, being initial policy owner before assignment and therefore is the life insured, when the grandparent dies, who do Zurich pay out to?	<p>The Child Small Gift Saver is still regarded as a policy of life insurance in that it will pay out the relevant value on the death of a life insured. In the case on there being only one life insured Zurich would pay out as a death claim and payment would be to the parent/guardian of the child.</p> <p>When the child is over 18 at the time of the grandparent's death the relevant value will be payable to the child as policy owner/assignee.</p>
If there were two grandparents and therefore two lives insured, what happens if one dies?	The Child Small Gift Saver is a Joint Life 2nd Death policy, so where one life insured dies the policy will continue with the second life insured. However, if the full €3,000 per calendar year was being paid by both i.e., €6,000 in total, it would be necessary to reduce the annual premium down to €3,000 as one donor is effectively deceased.

<p>All correspondences in relation to a Child Savings Plan, are they addressed to the grandparent, or the parent/guardian when the child is a minor?</p>	<p>On Zurich's systems, the child is set up as the owner of the policy through the assignment. Therefore, some correspondence will be sent to the child.</p>
<p>Is it possible to switch the funds on a Child Savings/Small Gift Saver Policy?</p>	<p>Fund switching is not allowed on the Child Savings Policy. This applies for as long as the policy is in force and forms part of the policy conditions. This means that where the child/assignee reaches 18 years of age, fund switching continues to be disallowed.</p> <p>Zurich Life may not accept switch requests from a minor because such instructions may be voidable at the instance of the minor (e.g. if the fund into which they switch performs badly etc) and this may be the case even if such requests were signed by the guardians for the minor (clearly if such instructions were found to be void then someone would have to make up the difference in fund value pre and post switch).</p> <p>Further to this point, taking instructions from the guardians for the minor (e.g. switch requests) infers that the minor is not "absolutely entitled in possession" to the monies and this may be problematic from a tax perspective (e.g. if the policies were taken out to take advantage of the small gift exemption).</p> <p>So, the decision was made not to allow fund switching on the policy overall.</p>
<p>Does the policy need to be included in the Central Register of Beneficial Ownership of Trusts?</p>	<p>Many will be aware of recent EU Anti-Money Laundering legislation requiring each Member State to establish a Central Register of Beneficial Ownership of Trusts (CRBOT).</p> <p>The purpose of the CRBOT is to help prevent money laundering and terrorist financing by improving transparency on who ultimately owns and controls Irish trusts.</p> <p>The CRBOT will contain details of relevant Irish trusts and their beneficial owners. Trustees must submit these details to Revenue, who will manage the CRBOT.</p> <p>It should be noted that Zurich Life's Small Gift Savers Policy uses the Assignment Model i.e., the policy is assigned to the recipient immediately after issue. As there is no trust or Bare Trust involved, this legislation does not impact upon these policies.</p>

**If you have a query on any of the above points, please feel free to contact Justin Kelly directly on 01 209 2095 our Technical Services Team on 01 209 2020 or [techsupport@zurich.com](mailto:techsupport@zurich.com) or your Zurich Life Broker Consultant.**

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CATCA 2003, Section 5: <http://www.irishstatutebook.ie/eli/2003/act/1/section/5/enacted/en/html>

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The information contained herein is based on Zurich Life's understanding of current Revenue practice as at March 2025 and may change in the future.

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