

# Will you face an inheritance tax bill?

Monsieur Jean Baptiste Colbert, the Minister for Finance in King Louis XIV's government in France from 1665 to 1683, stated that "The art of taxation consists in so plucking the goose as to get the most feathers with the least hissing".

Successive Irish governments have been successful in imposing a high tax charge on inheritances over the last number of years, without any protest from the general public, who perceive inheritance tax to be for the wealthy only. However, since 2009, the thresholds for CAT have reduced dramatically dragging more into the net for inheritance tax and, as the rate of tax has increased to 33%, will pay more tax.

Ask yourself a question. If you and your spouse were to die tomorrow and everything you own was passed to your children, would they be financially better off than they are now?

The answer is probably yes, however your children could 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 in the Irish Times dated 28th June\*, highlighted that 'In Dublin the typical asking price was €412,000, up 10.6 per cent year on year' meaning the inheritance of a house in Ireland can give rise to a substantial tax liability. If a property valued at €412,000 is inherited by a grandchild, it gives rise to an inheritance tax bill of €125,235.

The amounts which a child can inherit tax free from parents and grandparents were reduced quite rapidly from 2009 and, although having increased slightly over the last few years, have failed to reach the amounts in 2008/2009. In addition to this, the tax rates have also increased.

## How Inheritance Tax has changed over the last few years:

	Tax liability in 2009	Tax liability in 2021
Amount a child can inherit tax free from a parent	€434,000	€335,000
Tax Rate Applicable over the tax-free threshold	25%	33%

	Tax liability in 2009	Tax liability in 2021
Value of Parents' estate	€600,000	€600,000
Net Estate after threshold (assuming 1 child)	€166,000	€265,000
Tax payable by child	€41,500	€87,450

Source: Revenue.ie



This represents a huge increase in the tax liability between 2009 and 2021, which a child may struggle to pay and may have to sell assets to meet the liability.

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. 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.

And there is no better time to avail of the Guaranteed Whole of Life policy as premiums can be discounted by 5% over the coming months.

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

\*<https://www.irishtimes.com/business/economy/house-prices-surge-13-as-red-hot-demand-outstrips-supply-1.4605003>

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