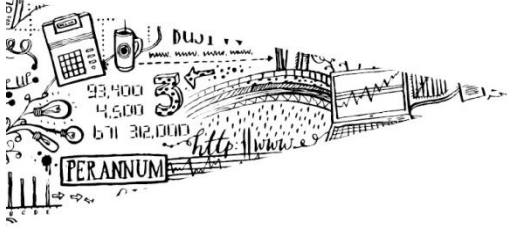


# Tax alert Ireland

Issue 24/11



## Beware - potential capital tax changes in Budget 2012

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The EU/IMF Programme of Financial Support for Ireland, commits to introducing in 2012 revenue measures, including: '**...a reform of capital gains tax and acquisitions tax**'. Specific measures in the previous Government's Four Year Plan (issued in November 2010) indicate that structures and thresholds in the capital gains tax (CGT) and capital acquisitions tax (CAT) (gift and inheritance tax) systems may be reformed.

The Medium-Term Fiscal Statement published on 4 November made no reference to capital tax changes in the upcoming Budget on 6 December. However, specific measures already flagged in the Four Year plan included:

- Broadening the base for CGT and CAT and reducing the level of reliefs and exemptions for these taxes.
- Moving to a system of differing rates for different levels of capital gains in 2012 (currently the rate of CGT is 25%).
- Reducing the current tax-free CAT thresholds to reflect the fall in asset values over recent years (CAT thresholds were already reduced in 2010 to reflect the drop in property prices).
- Abolishing or curtailing reliefs and exemptions from CGT, CAT and stamp duty.

The Commission on Taxation Report in 2009 recommended reducing the relief on the transfer of businesses and farms to family members. However, the anti-business nature of any such move remains a concern. Reliefs such as CAT dwelling-house relief may also be targeted.

Historically, CAT and CGT rates have been as high as 40%, with CGT rates in certain circumstances reaching 60% in the past. The Government, therefore, may consider it has some scope to increase tax rates in these areas.

### Action

The signs are that some imminent changes to capital taxes are on the way. If a disposal is being contemplated, to a family member or to third parties, it would be prudent to consider if the transaction should be completed before 6 December 2011.

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