

Introduction to Capital Acquisitions Tax

Capital Acquisitions Tax or CAT is the Irish inheritance and gift tax that generally arises where a benefit is taken by or from a person living in Ireland. It also applies if a gift or inheritance includes Irish property.

The tax is charged on the “taxable value” of the gift or inheritance. The “taxable value” is the market value of the inheritance after deduction of certain costs and expenses and any consideration paid by the beneficiary.

There is no CAT between spouses or couples registered as a civil partnership.

Tax Free Threshold

CAT legislation makes provision for a tax free threshold below which no tax is paid. The tax free threshold depends on the relationship between the person giving the benefit and the person receiving it, and there are 3 categories:-

Group (a) generally benefits from parents (currently €400,000).

Group (b) for benefits from close relatives such as siblings and aunts/uncles etc. (currently €40,000).

Group (c) covering benefits from any person not in the categories above (currently €20,000).

If the taxable value of the benefit is less than the threshold amount, no CAT is payable, but if it exceeds the threshold then CAT arises on the excess and the 2025 rate is 33%.

The tax free thresholds change from time to time and it is the threshold in force at the date of gift or inheritance (generally the date of death) that applies. The current

and historic CAT thresholds are available [here](#).

It should be noted that the tax free threshold is cumulative, so all previous gifts or inheritances received since 05 December 1991, and falling into the same group threshold, reduce the tax free threshold available.

Valuation Date

The valuation date for a gift is the date of gift, but the valuation date for an inheritance can be more complex. It is generally the earliest of 3 possible dates:-

- The date on which an executor is entitled to retain the subject matter of the inheritance for the benefit of the beneficiaries
- The date on which the inheritance is retained for the beneficiary, or
- The date of delivery to the beneficiary.

In many inheritance cases Revenue will accept that the executor is entitled to retain the assets of the Estate from the date of the Grant of Probate or Administration.

An asset passing on a death but outside of the Estate, such as a joint property passing by survivorship, is subject to CAT in the usual way.

Beneficiaries should bear in mind that if ownership of an asset passes automatically on a death, so the asset does not form part of the Estate (such as when joint property passes by survivorship or a credit union account passes by nomination), then the valuation date will be the date of death.

CAT Pay & File Deadline

A return should generally be filed if the beneficiary has a CAT liability or if the value of the benefit exceeds 80% of the tax free threshold or if a CAT relief is being claimed.

The CAT year runs from 01 September to 31 August in the following year. Where a valuation date falls within a particular CAT year, the CAT pay and file deadline is the following 31 October.

Example of the CAT Pay & File Deadline

The date of Grant of Probate is 10 September 2025. This is selected as the valuation date. That date falls within the CAT year 2025/2026, and therefore the CAT return is due for filing by 31 October 2026 and the CAT should be paid by that date.

What Happens if a Taxpayer Misses the CAT Pay & File Deadline?

Revenue charge interest where tax is paid late and a surcharge arises when a return is filed late.

Simple interest arises on unpaid CAT from the valuation date to the date on which the tax is paid and the standard rate is .0219% per day or part of a day (circa 8% per annum).

The surcharge for late filing of a CAT return is 5% of the CAT due (capped at €12,695) if the return is up to 2 months late, and 10% of the CAT due (capped at €63,485) where the return is later.

In addition, Revenue can charge a tax defaulter penalty if they come across the default. They may also bring a court action with a possible penalty of €3,000 for a failure to file a return (although such actions are rare in practice).

Small Gift Exemption

Where a benefit is a gift (i.e. not passing on a death) a small gift exemption may be available. The small gift exemption is €3,000 per donor per year. If the gift is higher in value, the €3,000 exemption can simply be deducted from the value of the gift.

CAT Reliefs & Exemptions

If a testator leaves his family home to a person who has been living in it for at least 3 years, and who does not own or inherit another residential property, CAT dwelling house relief may be available. If so, then no CAT arises on the value of the dwelling house.

The legislation has a number of conditions that must be met in order to claim and retain this relief.

The beneficiary must generally retain the dwelling house and occupy it as a main residence for 6 years after the gift or inheritance (unless they are over the age of 65 at the date of gift or inheritance). There is some provision for retaining relief if the property is sold within 6 years but the sales proceeds are used to buy a replacement family home.

CAT Business Relief

CAT business relief enables a beneficiary to reduce the value of a relevant gift/inheritance by up to 90% of its taxable value.

A benefit that consists of relevant business property may qualify for business relief, so that the beneficiary can reduce the value of the business assets by up to 90% of the taxable value. The value of the asset cannot be derived wholly or mainly from investments, and it must have been owned by the disposer for a set period (2 years before an inheritance or 5 years before a gift).

There are a number of conditions that must be met and relief will be withdrawn if the relevant business property is disposed of within 6 years of the date of gift/inheritance and is not replaced within a period of 1 year from the date of disposal, or if it ceases to qualify for business relief during this period.

This 6 year clawback period is extended to 10 years if the asset is business development land.

CAT Agricultural Relief

If CAT agricultural relief applies, a beneficiary can reduce the market value of a gift or inheritance of agricultural property by 90%. To avail of this relief, a person must

come within the definition of a “farmer” for the purposes of agricultural relief and there are 2 main aspects to this, a financial test and an activity test.

To be a “farmer” for this purpose the beneficiary must be able to show that not less than 80% of the market value of the property which he owns (after taking the gift or inheritance) is agricultural property (as defined).

The beneficiary must be a trained farmer, or spend at least 20 hours a week farming, or must grant a qualifying lease of the agricultural property to a tenant who is a trained farmer, or who spends at least 20 hours a week farming.

Any relief given may be wholly or partly clawed back within 6 years of the gift or inheritance if the agricultural land is sold or compulsorily acquired and not replaced within a year of the disposal by other agricultural property. Again, the clawback “window” is extended to 10 years if the land which qualified for agricultural relief has development value.

Further Guidance

The information above gives a brief outline of some of the tax implications of gifts and inheritances. However, the tax issues can be complex and OHT can assist with tailored tax advice if complex CAT issues arise.