

Favourite Nephew Relief

Capital Acquisitions Tax Part 10

This document should be read in conjunction with schedule 2 paragraph 7
of CATCA 2003

Document last updated October 2017

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10.1 Introduction

Favourite Nephew/Niece Relief applies where the nephew or niece, (who is a child of the disponent's brother or sister, or is a child of the civil partner of the disponent's brother or sister), has worked substantially on a full time basis for 5 years prior to the ending of the disponent's beneficial interest in the business.

The relief applies to gifts or inheritances of business assets only.

A nephew or niece who qualifies for the relief is entitled to the Group A tax-free threshold for the purposes of computing the tax payable on any gift or inheritance received by him or her of those business assets.

10.2 Conditions

To qualify for the relief the nephew or niece must have worked substantially on a full-time basis for a period of five years prior to the gift or inheritance in carrying on, or assisting in the carrying on, the trade, business or profession, of the disponent

In order for the nephew or niece to be deemed to be working substantially on a full-time basis in the business he or she must work at least:

- (a) more than 24 hours per week at the place where the business, trade or profession is carried on; or
- (b) more than 15 hours per week at the place where the business, trade or profession is carried on exclusively by the disponent, any spouse or civil partner of the disponent and the nephew or niece.

10.3 Example

James Sheehan inherits the estate of his uncle. The inheritance consists of

- (1) Business assets i.e. a licensed premises with a market value of €500,000 and stock-in-trade valued at €30,000

and

- (2) Non-business assets of €150,000

James qualifies for "favourite nephew" relief in respect of the business assets i.e. the licensed premises and stock-in-trade in accordance with paragraph 7, Part 1 of the Second Schedule to the CATCA 2003.

James is therefore entitled to the Group A threshold for the business assets of €530,000 and separately to the Group B threshold for the non-business assets of €150,000.

In a case where the inheritance consists partly of business assets and partly of non-business assets the debts, liabilities etc. must be apportioned pro rata between the business assets and the non-business assets.

10.4 How to Claim

Where Favourite Nephew Relief is claimed, IT38 CAT Return must be filed electronically through the Revenue Online Service (ROS).