

Favourite Nephew Relief

Capital Acquisitions Tax Manual Part 10

This document should be read in conjunction with
Schedule 2, paragraph 7 CATCA 2003

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10.1 Introduction

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

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 carrying on, the trade, business or profession, of the disponer

For the nephew or niece to be treated as working substantially on a full-time basis in the business, he or she must work:

- (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 disponer, any spouse or civil partner of the disponer and the nephew or niece.

10.3 Example

James inherits his uncle's state. The inheritance comprises-

- (a) business assets; i.e. a pub with a market value of €500,000 and stock-in-trade valued at €30,000,
- and
- (b) non-business assets valued at €150,000.

James qualifies for 'favourite nephew' relief, in accordance with paragraph 7, Part 1, Schedule 2, in respect of the business assets; i.e. the pub and stock-in-trade. He is therefore entitled to the Group A threshold for the business assets valued at €530,000. He is separately entitled to the Group B threshold for the non-business assets valued at €150,000.

Where an inheritance consists partly of business assets and partly of non-business assets, any debts, liabilities etc. must be apportioned pro rata between the business assets and the non-business assets.

10.4 How to claim the relief

Where Favourite Nephew Relief is claimed, an IT38 return must be filed electronically through [MyAccount](#) or the [Revenue Online Service](#) (ROS).

A more recent version of this manual is available.