

# Saving for Gift Tax

## LIFE ADVISORY SERVICES

**Using a 'qualifying' savings plan could save your beneficiaries 33% on their tax bill !!**

**If you are planning on gifting assets to your beneficiaries,  
Section 73 Relief from Gift Tax can be a valuable part of your estate planning solution !!**

### What is the benefit of taking out a Section 73 savings plan?

The benefit of using a 'qualifying' Section 73 life assurance savings plan to fund for the future payment of gift tax is that, as long as the money from the plan is used to pay your beneficiaries gift tax bill, it will not increase their gift tax liability.

**If you give your beneficiaries money from your deposit account to pay their gift tax bill, this is considered by Revenue to be an additional gift, and will increase the gift tax bill.**

### How the Section 73 relief from gift tax works in practice is shown below

John plans to transfer an investment property worth €750,000 to his son Paul in 8 years' time. Paul's gift tax liability will be €136,950, assuming he has received no other gifts or inheritances from his parents.

This means a loss of almost 20% of the value of the gift.

#### **To fund for this tax, John could effect a (Section 73) savings plan.**

If John saves €1,200\* per month for 8 years, indexed, assuming a growth rate of 4% gross per annum, this will be worth €147,212 after tax and charges. John gives €136,950 of the plan value to Paul, who uses it to pay his Gift Tax liability on the gift of the property.

Because of Section 73 Relief, this money is not seen as an extra gift so it does not increase the gift tax liability.

**If John had given Paul the €136,950 from his bank account this would have increased Paul's gift tax bill by €45,193.**

John can keep the excess over the amount of the tax bill for himself, it is his savings plan after all !!

\*Exclusive of the government levy

**If this is an area which interests you please talk to your Financial Broker for further details of Irish Life's savings plans. However, we advise that you seek professional tax and legal advice as the information given is a guideline only and does not take into account your personal circumstances.**

**Warning:** These figures are estimates only. They are not a reliable guide to the future performance of this investment.

**Warning:** The value of your investment may go down as well as up.

**Warning:** If you invest in this product you may lose some or all of the money you invest.

## Contact us

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