PENSIONS
INVESTMENTS
LIFE INSURANCE

Irish Life

SMALL GIFTS EXEMPTION SAVINGS PLAN

LIFE ADVISORY SERVICES

Your client can gift up to €3,000 tax free in any one year to their child, grandchild or anyone else, or even multiple persons and this gift will not impact on the recipient's appropriate Group tax free threshold for CAT purposes.

Your client can use the Irish Life regular savings plan to avail of this small gifts exemption.

How can they do this? The key here is that the recipient / beneficiary must get ownership of the money and the person gifting the money loses control of it. Therefore how the plan is set up will depend on how old the recipient is.

WHERE THE RECIPIENT IS AN ADULT (over 18)

- Where the money is to be gifted to an adult that adult can effect their own life assurance savings plan to accept cash injections.
- The '**donor' (e.g. parent, grandparent) cannot retain control of the money** through setting up the contract as a 'life of another' arrangement with them as the proposer / policy owner or through setting up the contract in Trust.

Contract Structure

  - The life assured is the recipient / adult child
  - The proposer / policy owner is also the recipient / adult child. He/she completes and signs all paperwork.
  - The payer of premiums is the donor / parent / grandparent
  - The €3,000 per annum premium is INCLUSIVE of the Government Levy.
  - We do not recommend indexation where the total premium is already €3,000 per annum.

- Money laundering is required for BOTH the donor / parent / grandparent and the recipient / adult child.

What are the tax implications (if any) for my client?
No charges arise where an adult is to receive the gift and they effect their own contract.

Who can authorise any alterations / encashments on the plan?
The recipient / adult child completes and signs all paperwork to make any alterations / encashments to the plan.

IMPORTANT - No deed of assignment is required where the beneficiary is an adult (over 18)

WHERE THE RECIPIENT IS A MINOR

This can be a little bit more complicated BUT Irish Life can provide you with a solution

- A minor child cannot propose for a life assurance contract
- The '**donor' (e.g. parent, grandparent) cannot retain control of the money** by setting up the contract in Trust.

Contract Structure

  - The life assured is the recipient / child – the name and date of birth of the child needs to be documented on the application form in the life assured section.
  - The proposer/plan owner is the donor / parent / grandparent who want to gift the child €3,000 per annum.
  - All signatures on the CAB are signed by the donor (the person gifting the money) as the plan owner.
  - The payer of premiums is the donor / parent / grandparent
  - The €3,000 per annum premium is INCLUSIVE of the Government Levy.
  - We do not recommend indexation where the total premium is already €3,000 per annum.

- As soon as the policy is issued the ownership of the contract is altered to the child, using a special deed of assignment. See next page. The '**donor' (e.g. parent, grandparent) cannot retain control of the money**
- Money laundering is required for BOTH the donor / the original plan owner and the child – this is because the policy will be assigned to the child immediately after it is issued.

Deed of assignment for minors

- This should be **dated the same day as the start date of the savings plan** - the start date of the contract can be stipulated on the application form.
- **If the assignment is dated before the start date of the plan then the deed is invalid.**

To be valid a Deed of Assignment must

- Be signed by the donor / original policy owners (the parents / grandparents gifting the money)
- Be dated - on or after the start date of the plan
- Be witnessed- by someone who is not party to the deed (i.e. cannot be the parent / grandparent or the child). This can be the financial broker.
- Have the appropriate stamp duty paid to the Revenue (if applicable – see below for further details).

Important Note : Once the assignment takes place the plan owner is the minor child who cannot actually 'deal with' the plan. We will therefore need the parent / guardian of the child to complete an indemnity to allow them to access any information about the plan or to make any alterations to the plan.

What are the tax implications (if any) for my customer?

The following charges only apply to cases where the beneficiary is under 18 **because of the transfer of ownership.**

STAMP DUTY

- The rate of stamp duty is 0.1% of the value of the contract i.e. €1 per €1,000 of the value of the plan. Where the value of the plan at the date of the deed of assignment is less then €6,350 stamp duty does not apply.
- If the premium is to be €250 per month then no charge to stamp duty will arise as long as a valid deed is submitted immediately. This is because, where the value of the contract at the date of assignment is less than €1,000 and results in a figure of less than €1, the charge can be rounded down to zero.
- **Where stamp duty is payable your client needs to pay this via www.revenue.ie and submit the receipt to Irish Life along with the deed of assignment.**

EXIT TAX

- If there is any growth in value between the start date of the contract and the date of the assignment there will be exit tax deducted on the change of ownership.
- If the deed is invalid for any reason and has to be returned this could result in an increased charge to exit tax if the value of the contract increases by the time a valid deed is received.

The deed of assignment is not valid unless it has been correctly completed and the client has submitted confirmation from Revenue that the stamp duty has been paid (where applicable).

It is therefore very important that the deed of assignment is correctly completed and any stamp duty charge has been paid to ensure these charges are kept to a minimum.

Who can authorise any alterations / encashments on the plan?

As the plan owner is a minor child we will ask the parent / guardian of that child to complete an indemnity and sign all paperwork to make any alterations / encashments to the plan.

Please note that the indemnity CANNOT be completed by the original proposer of the plan UNLESS they are the parent / guardian of the child

Let's take an example of how this works in practice

Patrick O'Brien wants to gift money to his grandson Billy Walsh. In doing so he wants his grandson to avail of the small gifts exemption. He can gift Billy €3,000 per annum (tax free) without it impacting on Billy's CAT Group 2 threshold. He can gift this money to Billy using the Irish Life regular savings plan.

Patrick O'Brien proposes for the plan. His grandson Billy is the life assured on the plan.

The plan has a maximum annual premium of €3,000 inclusive of the government levy and indexation is not selected.

The policy is then immediately assigned to Billy and he becomes the plan owner and the life assured.

While Patrick can continue to pay the premium into the plan he cannot retain control of the plan.

See next how the deed of assignment is completed based on the example given.

This Deed of Assignment is made the [ ] day of [ ] (month) [ ] (year) — **Date on or after start date of plan**

(1) Donor [ ] — **Grandfather - Patrick O'Brien**

Address [ ]

and

(2) Recipient [ ] — **Grandson - Billy Walsh**

Address [ ]

Policy Details

Policy Number [ ] — **Irish Life will note**

Policy Owner/Owners/ Policy Donor(s) [ ] — **Grandfather Patrick O'Brien**

Start date of policy d d / m m / y y y y

In witness whereof this Deed has been executed by the parties hereto the day and year first herein written.

Signature of the Donor [ ] Date d d / m m / y y y y — **Date on or after start date of plan**

Signature of the Donor [ ] Date d d / m m / y y y y

Signature of the Witness [ ] Date d d / m m / y y y y

The witness cannot be parent / grandparent or the child

Remember

The €3,000 allowance is per calendar year to 31st December each year.

So if your client makes a gift to someone in December 2015 they can make another gift to the same person in January 2016 but no more money can be given to that person tax free until 2017 …… without eating into the recipients relevant Group tax free threshold for future gifts / inheritances ….

CONTACT US

E-MAIL: advisoryservices@irishlife.ie
WEBSITE: www.irishlife.ie
WRITE TO: Irish Life, Lower Abbey Street, Dublin 1