Pension & Succession Planning for Retailers

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TAX relief is provided on contributions to approved personal pensions. This relief is more generous as you get older, which is calculated on your net relevant earnings subject to a limit of €115k.

When it comes to company pensions, company contributions on behalf of Directors/staff are not treated as a BIK and the company can offset any contributions as an expense. Furthermore, the level of contributions paid by the company in any particular year can be significantly higher than personal pension contributions.

When retiring, you can take 25% of your pension fund in a tax-free lump sum, subject to the particular pension scheme. Certain tax implications apply when the lump payment exceeds €200k. Regarding the balance of fund, there are a number of options available.

Succession Planning

Capital Gains Tax (CGT) Retirement Relief: S.599 of the TCA 97' provides relief from CGT where an individual is disposing of chargeable business assets to a "child" under current legislation. Certain conditions apply, such as, 55 or over, must be of qualifying assets held for 10 years, transfer at market value, current shareholders must be

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a working director for 10 years up to the date of disposal, five years of which must be full time. When disposing of an asset like a retail premises owned by you personally, but it was actually used by the company, the disposal of the asset may also qualify for CGT retirement relief.

Capital Acquisition Tax (CAT) Business Relief enables your child to reduce the value of a relevant gift/inheritance of business property by 90% of its taxable value under current legislation. Business property is considered certain shares and property used within the business subject to conditions. The balance of 10%, which is subject to CAT paid by your children, can be reduced by the lifetime tax free group threshold, which currently stands at €225,000 regarding parent to child. There is also a system of clawback of CGT and business relief, however, where the child disposes of an asset within six years of the date of acquisition from his/her parent.

This is a brief overview. Therefore, if you require further information please do not hesitate to contact us at: **Tax Accounting Ireland, 32 Fitzwilliam Place, Dublin 2. Tel: (01)6624977 or at our email/website detailed below.**