



**STATEMENT OF
PRACTICE
SP-CAT/1/97

INDEXATION**

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INTRODUCTION

Indexation was introduced for capital acquisitions tax in the Finance Act, 1990 and is explained in detail in the Statement of Practice on Computation of Tax — Aggregation and Indexation (SP-CAT/2/90). The Finance Act, 1993 introduced indexation in respect of the exemption threshold for probate tax.

The Finance Act, 1994, removed certain anomalies in relation to the indexation of the capital acquisitions tax thresholds. Since 11th April, 1994, the class threshold applicable to each taxable gift or taxable inheritance in any aggregate of taxable values should be indexed by the indexation factor applicable to the current benefit. Prior to 11th April, 1994, the threshold amounts were indexed.

INDEXATION FACTORS FOR CAPITAL ACQUISITIONS TAX FOR BENEFITS TAKEN PRIOR TO 11th APRIL, 1994

The threshold amounts should be multiplied by an indexation factor of —

- (i) 1.04, where the taxable gift or the taxable inheritance is taken in the year 1990,
- (ii) 1.076, where the taxable gift or the taxable inheritance is taken in the year 1991,
- (iii) 1.109, where the taxable gift or the taxable inheritance is taken in the year 1992,
- (iv) 1.145, where the taxable gift or the taxable inheritance is taken in the year 1993, *and*
- (v) 1.16, where the taxable gift or the taxable inheritance is taken in the year 1994 (i.e. prior to 11th April, 1994).

INDEXATION FACTORS FOR CAPITAL ACQUISITIONS TAX FOR BENEFITS TAKEN ON OR AFTER 11th APRIL, 1994

The class thresholds should be multiplied by an indexation factor of —

- (i) 1.16, where the taxable gift or the taxable inheritance is taken in the year 1994 (i.e. on or after 11th April, 1994),
- (ii) 1.188, where the taxable gift or the taxable inheritance is taken in the year 1995,
- (iii) 1.217, where the taxable gift or the taxable inheritance is taken in the year 1996, *and*
- (iv) 1.237, where the taxable gift or the taxable inheritance is taken in the year 1997.

INDEXATION FACTOR FOR PROBATE TAX

The exemption threshold should be multiplied by an indexation factor of 1.082 in respect of persons dying in 1997.

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