



## Co-habiting couples

BY SINEAD FITZPATRICK

Experts tell us that approximately 80% of First Time Buyers in Ireland could be unmarried couples.

This statistic has raised concerns about the potential tax liabilities that these couples may face in the event of death of either party.

Our experience would suggest that many couples are under the false assumption that upon the premature death of either party, their surviving partner will automatically inherit the property.

They believe that the life assurance cover (known as Mortgage Protection) will clear the mortgage in full, leaving the partner and any children in a secure financial position.

However, this may not be the case.

Assuming mortgage protection clears the outstanding mortgage, the surviving partner inherits the deceased partner's share of the property but not without a capital acquisition tax liability (inheritance).

As co-habiting couples fall into the "stranger's" threshold, which is the lowest of the three, their allowance is only €16,604, so they are liable to pay 30% tax on the value of the share of the house above that amount.

For example, take an average 3-bed semi worth €250,000, one party could be liable for a tax bill of €32,518 unless the mortgage and policy arrangements have been put in place correctly.

If a co-habiting couple have a joint life plan, in the event of death, 1 party may be deemed to inherit

some or all of the proceeds of the policy, depending on how the premiums were paid.

Revenue will look for evidence to determine who has been paying the premiums. If it is clear that the premiums were paid from a joint bank account and contributed to by both parties, then it is deemed that 50% of the proceeds have been inherited.

So for example, a death benefit of €250,000 would be treated that €125,000 had been inherited.

For married couples this doesn't present a problem as there are no tax liabilities resulting from inheritances between them regardless of the value of the assets.

The same unfortunately doesn't apply to co-habiting unmarried couples.

It is vital that co-habiting couples are aware of this potential tax liability. The death of a partner is an extremely challenging time that does not need to be further compounded by financial worries.

Thankfully there is a relatively straight-forward solution to this issue and Thomond Asset Management can help you in this regard. Please contact us to arrange a meeting with one of our qualified financial advisers on Tel: 061 462024 or Email: [info@thomondam.com](mailto:info@thomondam.com)



### About

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2. The value of your investment may go down as well as up.
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4. Past performance is not a reliable guide to future performance.

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