

Inheritance tax (IHT) Factsheet

Summary

When an individual dies, IHT is charged on the value of their estate plus gifts made within the last 7 years, less any reliefs and exemptions. The rate is 40% to the extent that the value exceeds the nil rate band (NRB) and the main residence nil rate band (MRNRB). The NRB is £325,000 per person. The MRNRB is £100,000 per person from April 2017, increasing by £25,000 each year until April 2020, when it will be £175,000 per person. The NRB and MRNRB can be transferred between spouses and civil partners.

IHT also applies to trusts - we refer you to our separate factsheet entitled 'Trusts and Tax'.

Reliefs

Where an asset qualifies for a relief, IHT will be reduced accordingly, possibly to nil.

Business Property Relief (BPR)

BPR is available as follows:

- For shares and securities in unquoted or AIM-listed trading companies, BPR is 100%.
- For assets that are used in a trade, BPR is 100%.
- For property used in a trade, BPR is 50%.

In order to qualify, the assets must have been held for at least two years.

Agricultural Property Relief (APR)

For land and buildings used for active farming, APR is available against its *agricultural value* at either 100% or 50% depending on who the land is farmed by (note, the agricultural value is not the same as overall value).

Other Reliefs

There are similar reliefs available for woodlands and heritage property.

Exemptions

The following gifts are exempt from IHT:

- All gifts to a spouse or civil partner, provided they are domiciled in the UK.
- Gifts made more than 7 years before death. If between 3 and 7 years, the whole asset is taxable, but at a reduced rate if the NRB is not available.
- Regular gifts out of income. To qualify, there must be an intention to make the gifts on a regular basis and they must be from income that is in excess of that required by the individual making the gift.
- Up to £3,000 per tax year. This can be carried forward for one tax year only.
- Gifts in contemplation of marriage. If the gift is by a parent, the limit is £5,000; if a grandparent, £2,500; anyone else, £1,000.
- Gifts to charity.
- Small gifts of up to £250 over the course of a tax year to any number of recipients.

Mitigation of IHT

There are various methods of mitigating IHT, for example, through the use of trusts or structuring your will in a tax efficient manner. To discuss the options available, please contact us for a meeting. Each scenario is different and all planning is bespoke which guarantees that you get the outcome desired in the most tax efficient way.

If you are considering gifting part of or all of a business asset such as shares in a business, for IHT and capital gains tax purposes, it is always advisable to get advice before any decisions are finalized.



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