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Inheritance Tax

Inheritance Tax is very topical at present with no shortage of advice for the Chancellor as to how he could improve on the current system. The allowances as they stand are as follows:-

The Nil Rate Band (the amount of your chargeable estate which is subject to zero % tax) currently stands at £285,000. This will increase to £300,000 from April next year.

The balance of your chargeable estate above the Nil Rate Band is taxed at 40%. In order to reduce the value of your chargeable estate you may make the following gifts annually without being subject to Inheritance Tax.

- £3,000 plus any part of previous year's allowance unused
- You may also make gifts out of ordinary income, this would typically mean that the gift is made on a regular basis and does not affect your standard of living.
- You may also make gifts of up to £250 to as many individuals as you like.

Other non-annual allowances principally relate to marriage - a parent may gift £5,000, - grandparent may gift £2,500, - and any other person may gift £1,000.

In general terms, other gifts would only escape some form of Inheritance Tax if you survive seven years. Some ideas and schemes designed to help save Inheritance Tax are:-

- In the case of a couple ensure both Nil Rate Bands are used
- Making gifts to charities
- Discounted gift trusts
- Gift and loan trusts
- Taking out insurance to cover the tax liability

If you would like to discuss any of these issues then please contact us and we will ensure you receive the appropriate professional advice.

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