

Hague Lambert Solicitors



Information Sheet

IS INHERITANCE TAX PLANNING STILL RELEVANT?

Each individual has an amount which they can leave on death free of Inheritance Tax, known as the "Nil Rate Band". In this tax year the Nil Rate Band stands at £325,000.

Until October 2007 the law was such that if a married couple passed all their assets to each other the surviving spouse would only have use of their own individual Nil Rate Band on their death. This meant that the Nil Rate Band of the first to pass away had effectively been squandered. However, in October last year the law changed. It is now possible for a married couple to pass all their assets to each other and then on the survivor's death a claim be made for the use of their own and their spouse's Nil Rate Band. In this tax year therefore the "Double Nil Rate Band" is £650,000.

Although this is a comforting piece of legislation, it is all too easy now for married couples to sit back with straightforward mirror Wills and think that nothing more needs to be done in order to leave their estates free of inheritance tax. However, if your joint estate is in excess of the Double Nil Rate Band threshold, Inheritance Tax planning is still of crucial importance. A small amount of careful planning could see your inheritance tax liability fall to zero with vast sums of tax saved.

What is crucially important is to seek the relevant advice so that you are fully informed of the options that are available to

you and to utilise these options before it is too late

ANNUAL ALLOWANCE

Each individual has an amount of £3000 which they can gift free of inheritance tax each year. Making the most of this allowance will chip away at your inheritance tax liability.

GIFTS

Increasing gifts to over £3000 is a tempting option, especially if for example children are in need of funds towards a deposit on their first house purchase. However, you must bear in mind that surviving for a period of seven years after making the gift is necessary for the amount gifted not to be aggregated with the rest of your estate in the calculation of inheritance tax.

In addition you may not want to gift large sums of money directly to your relatively young adult children. If this is the case gifts can be made into discretionary trusts. This has the advantage of reducing your estate and thereby your inheritance tax liability while at the same time maintaining a certain degree of control over the funds.

GIFTS TO CHARITY

In addition it is worth bearing in mind that any gift, however large made to charity within a Will is free of inheritance tax.

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