How Thomas Dunton can help

Inheritance tax and gifting is a complex matter, and knowing how and when to structure your affairs can be difficult. That's why it's always best to seek professional advice first.

At Thomas Dunton Solicitors, we've been helping people navigate their way through the ever-changing tax landscape for over 40 years. Above all else, we only have your best interests at heart. So, we dedicate the time to listen and understand your circumstances and needs, to help make the best decisions for you and your loved ones.

But don't just take our word for it, here is a summary of just some of the things our clients have said about us…

"You have been utterly brilliant when we needed you most."

"Wonderful and understanding. Guided me through the process and presented all the options in a way I could understand."

"Extremely helpful and efficient. Service provided was faultless from start to finish."

"Been a customer for years. Wouldn't go anywhere else."

"Informative, patient, understanding and most helpful."

"Knowledgeable and efficient. You provided helpful and practical advice. A pleasure to deal with." "In this day and age of impersonal internet services, we feel lucky to have dealt with a firm which operates at the human level."

What else can Thomas Dunton help you with?

Our solicitors are here to talk to you about even the most complex legal matters, to listen to your needs and offer practical solutions:

- Buying & Selling a Property
- Dispute Resolution
- Personal Injury
- Family & Children
- Employment Law
- Mediation
- Powers of Attorney
- Probate
- Contested Probate
- Wills
- Business Law

It is important to note that this guide is not a full statement of the law. The information in this leaflet is of a general nature and may not reflect your individual circumstances. You should receive individual advice before taking any action.

www.thomasdunton.co.uk

THOMAS DUNTON SOLICITORS

Accredited LEXCEL Practice Management Standard – The Law Society

Solicitors Regulation Authority

Accredited Children Law – The Law Society

Accredited Personal Injury – The Law Society

Accredited Conveyancing Quality Scheme (CQS) – The Law Society

Association of Personal Injury Lawyers – apil – Accredited Practice

resolution – first for family law

fsb – Experts in Business

Contracted with the **Legal Aid** *agency*

reviewsolicitor

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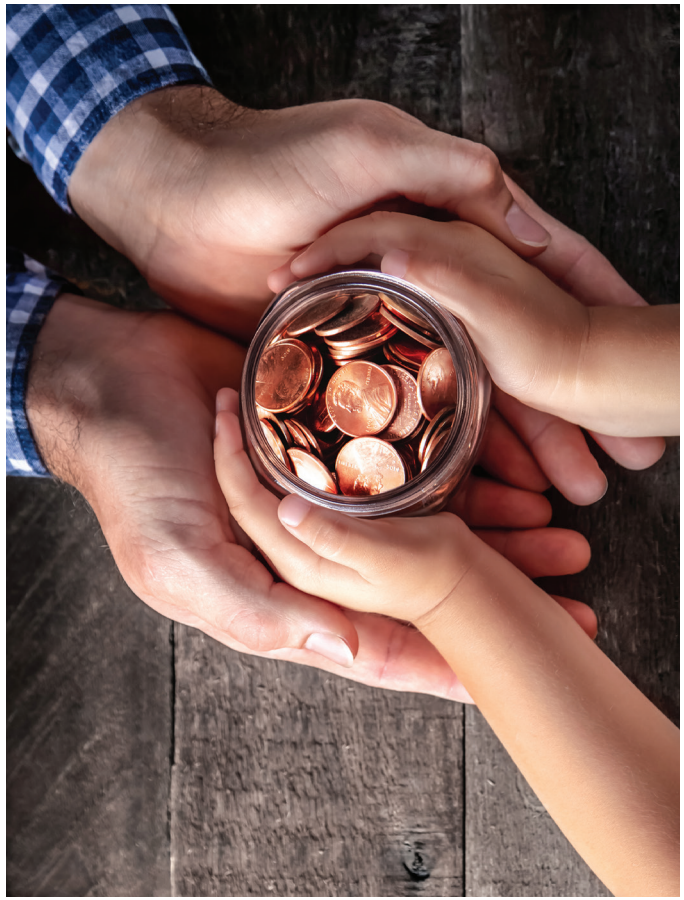
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THOMAS DUNTON SOLICITORS

Your guide to

Inheritance Tax

LOCAL PROFESSIONAL TRUSTED

What is inheritance tax?

Inheritance Tax is a tax charged by the government on the value of a person's estate at their death. The estate will include your home and contents, car, jewellery, savings and investments.

Is all of my estate subject to inheritance tax?

The first £325,000 of a person's estate (known as the "nil rate band") is not charged to inheritance tax. For estates worth more than £325,000 (and without any other nil-rate bands or exemptions available), inheritance tax is charged at 40%.

If you own a home and you leave this to your children or other descendants, you may also be able to benefit from a second nil-rate band known as the "residence nil-rate band". This is worth up to £175,000, but is not available in every case.

The Nil-Rate Band

Each person can leave up to £325,000 of assets to anyone without paying tax. This is known as the Nil-Rate Band (NRB). Married couples can have a combined NRB of £650,000. These rules remain and the residential nil-rate band will sit alongside them.

Is inheritance tax payable if I leave my estate to my spouse/civil partner?

You can gift your estate to your spouse or civil partner, tax-free. There is no limit to the amount which can pass under this exemption, so long as they are UK domiciled.

Is inheritance tax payable if I leave my estate to my children?

If you are a property owner and are planning to leave your home to your children, your estate may benefit from an additional tax-free amount under the residential nil-rate band which came into effect on 1 April 2017. Put simply, if a property is left to children, up to £350,000 of its value can be passed on free of inheritance tax – in addition to the couple's ordinary nil-rate bands of £325,000 each.

Not every estate will qualify for this, but it is likely to be a significant benefit to those which do. Find out more about the residential nil-rate band.

Is there anything else I need to be aware of with the residential nil-rate band?

Yes. If you plan to take advantage of the new residential nil-rate band, it is important to ensure you do not fall foul of the tapering law.

However, if the estate you intend to leave to your children is worth over £2m, the residential nil-rate band is tapered away, at a rate of £1 lost for each £2 left over £2m. This can be addressed by careful tax planning, but testators who do not take advice may leave their beneficiaries with an unnecessarily large tax bill.

How can I protect my children's inheritance?

Family structures nowadays can be quite complex, and issues may arise when both parties in a second marriage have children from previous relationships. You have options when it comes to protecting your children's inheritance. We always recommend you speak to a solicitor so that they can provide tailored advice to your individual circumstances.

How can I minimise how much inheritance tax I pay?

There are many other opportunities to reduce your inheritance tax liability by planning during your lifetime, but of course, any inheritance tax planning is dependent upon your circumstances. We will consider tax planning with you when we draft your will.

The most well-known tax planning device is to gift funds more than seven years before your death (known as the "seven-year rule").

The important point here though is that if you do not take advice from specialist advisors, you may miss out on opportunities to save your estate money, and to ensure that your beneficiaries inherit as much from you as they can.

Don't leave legal issues too late: seek advice at the earliest stage.

Are there any exemptions to the seven-year rule?

Yes. Each year you can gift up to £3,000 tax-free (known as your annual exemption) and make unlimited tax-free gifts of £250 to as many people as you choose as long as they've not benefitted from your annual exemption. If your child gets married you can gift £5,000 for their nuptials or £2,500 for the wedding of a grandchildren and/or great grandchildren. At the wedding of anyone else, you can gift £1,000 free of tax.

What if I have business assets?

AIM listed trading stocks and shares in family businesses can attract inheritance tax reliefs of up to 100%. If these assets are put into a trust structure in your will, you can crystallise the tax relief at the earliest opportunity. This is important if the asset is likely to be sold by your surviving spouse and turned into cash before their death as the relief would then be lost.

How does property with development potential affect inheritance tax?

Land with development potential can create problems for surviving relatives. Placing the land in a trust through your will ensures any increase in value is contained within the trust rather than within the estate of your spouse.

Can I gift money to charity?

All gifts to qualifying charities are exempt from inheritance tax.

In addition, a reduced inheritance tax rate of 36% for the remainder of the estate may apply if more than 10% of an estate is left to a UK registered charity. The same applies for substantial gifts for political parties and qualifying sports clubs.

Should I have a deed of variation?

A deed of variation allows those set to benefit from your will to redirect their inheritance to someone else. For inheritance tax and capital gains tax purposes, this can then be treated as if the inheritance had been left that way in the will. This can only be done within two years of a death.