

## Inheritance Tax – When is it payable?

Inheritance Tax, commonly referred to as 'IHT', is a tax that is payable on the assets that you own on death. The structure of IHT is complex, but generally speaking, there will not be any IHT where the cumulative total of your assets, that is, those assets that you have gifted within the last 7 years and the assets that you owned on death, does not exceed the nil rate band. The longer you survive from the date of the gift, the less IHT is payable, provided that you survive for at least three years.

Every individual has a nil-rate band which is free of IHT. The current nil rate band is £325,000. The balance is then charged at 40%, although the government is planning to introduce new rules, reducing the rate of IHT on death from 40% to 36% for individuals who in their Wills, leave 10% or more of their net Estate to charity. The new rules apply to the Estates of individuals who die after 6th April 2012, so if you are thinking of leaving a portion of your Estate to charity, it is important that your Will incorporates the relevant provisions so that you have peace of mind that your Estate qualifies for the reduced rate of IHT.

In addition, there are various exemptions, reliefs and exclusions which can reduce the amount of IHT payable on death.

An 'exclusion' relates to certain assets which are specifically excluded from IHT, for example, a property that is situated outside the UK which is owned by an individual who is not 'domiciled' in the UK for the purposes of IHT. 'Domicile' is a complex area of law which merits an article of its own. An 'exemption' will apply where the Will provides for a gift to an exempt beneficiary. For example, a spouse or a registered charity.

A 'relief' will reduce, either wholly or partly, the amount of IHT that is paid in respect of certain assets, provided the strict conditions for the relief are met. For example, you gift your agricultural or business property in your Will.

As Benjamin Franklin, once said, the only things that are certain in life are death and taxes. Although I have not yet come across any schemes that avoid death, it is possible by having a tax efficient Will drawn up, coupled with inheritance tax planning advice, to 'avoid', not to be confused with 'evade', thousands of pounds of IHT.

If you would like to discuss your Estate and the possibility of saving Inheritance Tax payable upon your death please contact us on 020 7802 4802 for an initial no obligation discussion.