



Caesar & Howie
The Central Scotland Law Group

INHERITANCE TAX GUIDE

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For more information or to speak to one of our trained Advisers please telephone our team on 0800 005 1755.

The Caesar& Howie Group
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INHERITANCE TAX GUIDE

Many people are under the mistaken apprehension that Inheritance Tax is a tax on the wealthy. This statement might have been accurate when it was first introduced in the 1970's but due to recent surge of property prices it can no longer be relied upon.

If we have thought about Inheritance Tax many of us have concerns that any property we leave on death will not go to our family as we would wish, but instead will find itself in the tax man's pocket.

Unfortunately paying our taxes is a fact of life. Inheritance Tax, however, is slightly different as with a bit of forward planning many people will certainly manage to reduce, and in some cases completely avoid, their liability to Inheritance Tax. Exemptions and reliefs to the tax can be constructively used to minimise liability.

WHAT IS INHERITANCE TAX? (IHT)

IHT may be payable on an individual's estate on death or on certain gifts made during lifetime. The tax legislation states that IHT is payable on chargeable transfers of value made by persons during their lifetime or on death. For IHT purposes when a person dies they are deemed to have made a transfer of all their property. Although some people may become liable for Inheritance Tax during their lifetime as they have made lifetime chargeable transfers (this will be explained later in the guide) the majority of people will only become liable to pay IHT on their death.

WHO PAYS INHERITANCE TAX?

IHT is payable by people who are domiciled in the UK. If you have the UK as your permanent home all of your assets, with a few exceptions, will be subject to IHT. Please note that even if you are not domiciled in the UK, any assets held in the UK will be subject to IHT.

WHAT RATE OF INHERITANCE TAX IS PAYABLE?

Currently the rate of tax chargeable on lifetime transfers is 20%. The rate of tax on death is 40%. These rates are subject to change.

IHT will only become payable if the chargeable transfer exceeds the Nil Rate Band (NRB). The NRB tends to change at the start of every new tax year. Currently the Nil Rate Band limit is £325,000. Any estate greater than this could become liable to inheritance tax.

More detail on rates and other information can be found here :-

<https://www.moneyadviceservice.org.uk/en/articles/a-guide-to-inheritance-tax>

SOME GOOD NEWS

If you plan ahead there are a number of perfectly legal steps you could take to reduce the IHT liability of your estate – or to mitigate the effects of IHT on your beneficiaries. These could involve gifting, setting up trusts, checking out exemptions, reviewing wills and perhaps reviewing Life Assurance and pension issues.

However you have to plan ahead and organise your affairs accordingly. We have highly qualified staff that would be happy to review things with you, and help with any necessary preparations.