



INHERITANCE TAX

New intestacy rules aim to make things simpler and clearer

Significant changes to existing intestacy rules came into force on 1 October 2014 in England and Wales, with the aim of making things simpler and clearer. The consequences could be far-reaching for you and your loved ones, and while there are increasing entitlements for surviving spouses and registered civil partners, the changes highlight the importance of making a Will to ensure your wishes are carried out.

RADICAL RULE CHANGES

From 1 October 2014, the Inheritance and Trustees Powers Act 2014 radically alters the way in which the assets of people who die intestate are shared among their relatives. The biggest change will affect married couples or registered civil partnerships where there are no children. In the past, the spouse received the first £450,000 from the estate, with the rest getting split between the deceased's blood relatives. Under the new law, the surviving spouse will receive everything, with wider family members not receiving anything.

LIFE INTEREST CONCEPT ABOLISHED

Couples who have children will also be affected by the changes. Previously, the spouse of the deceased received the first £250,000 and a 'life interest' in half of the remainder, with the children sharing the other half. Under the new rules, the life interest concept has been abolished, with the surviving married partner receiving the first £250,000 and also half of any remainder. The children will receive half of anything above £250,000 and will have to wait until they are 18 to access any funds.

NO PROTECTION FOR COUPLES

These changes go some way to improving the position for married couples and registered civil partners. However, they still leave couples who are not married or in a registered civil partnership with no protection. Where an individual in an unmarried couple dies without a Will, their partner is not entitled to receive any money from their estate.

DISTRIBUTING ASSETS TAX-EFFICIENTLY

The changes therefore highlight again how important it is to make a Will to ensure that your wishes are followed and that assets are distributed tax-efficiently. Wills are

also often used to express a preference for who should act as guardians for minor children in the event that parents die.

If a person dies without leaving a Will, the chances are that the estate will be distributed in a way that the deceased would not have wanted. This can have very real and distressing consequences, as well as unanticipated inheritance tax costs.

Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of and reliefs from taxation are subject to change.

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PROFESSIONAL FINANCIAL ADVICE YOU CAN TRUST

With these recent rule changes, now is the perfect time to take inheritance tax planning advice and to have your Will written professionally or updated. If you have any questions or would like more information on writing a Will or inheritance tax planning, please get in touch – we look forward to hearing from you.