



# INHERITANCE TAX MATTERS

*Not quite the 'voluntary' tax it was once considered*

Effective estate planning is about getting the right balance between maintaining access to your money when you need it and saving tax. This is because, in general, the more tax-efficient a solution is, the less access you have to your assets. Safeguarding your own financial future is very important, and giving too much away could put this at risk.

Inheritance Tax is the tax that is paid on your estate, chargeable at a current rate of 40%, and is now perhaps not quite the 'voluntary' tax it was once considered. However, careful planning to ensure you take advantage of all the allowances and reliefs available could save you a lot of money relatively easily. It's never too early to start.

Broadly speaking, this is a tax on everything you own at the time of your death, less what you owe. It's also sometimes payable on assets you may have given away during your lifetime. Assets include property, possessions, money and investments, and life insurance policies not written in an appropriate trust. One thing is certain: careful planning is required to protect your wealth from a potential Inheritance Tax liability.

Not everyone pays Inheritance Tax on their death. It only applies if the taxable value of your estate when you die (including your share of any jointly owned assets and assets held in some types of trusts) is above the current £325,000 threshold (frozen until 6 April 2017 to 5 April 2018) or 'Nil Rate Band'. It is only payable on the excess above this amount.

## INHERITANCE TAX EXEMPTIONS AND RELIEFS

**Sometimes, even if your estate is over the threshold, you can pass on assets without having to pay Inheritance Tax. Examples include:**

- **Spouse or registered civil partner exemption:** Your estate usually doesn't owe Inheritance Tax on anything you leave to a spouse or registered civil partner who has their permanent home in the UK – nor on gifts you make to them in your lifetime – even if the amount is over the threshold
- **Charity exemption:** Any gifts you make to a qualifying charity – during your lifetime or in your Will – will be exempt from Inheritance Tax
- **Potentially exempt transfers:** If you survive for seven years after making a gift to someone, the gift is generally exempt from Inheritance Tax, no matter what the value



**Strategic Vision Wealth Management**

8 Astley House, Cromwell Business Park,  
Chipping Norton, Oxfordshire, OX7 5SR

**Tel:** 01608 646644

**Email:** advice@svwm.co.uk

**Web:** www.svwm.co.uk

# Strategic Vision

Wealth Management



- **Annual exemption:** You can give up to £3,000 away each year, either as a single gift or as several gifts adding up to that amount – you can also use your unused allowance from the previous year, but you use the current year’s allowance first
- **Small gift exemption:** You can make small gifts of up to £250 to as many individuals as you like tax-free
- **Wedding and registered civil partnership gifts:** Gifts to someone getting married or registering a civil partnership are exempt up to a certain amount
- **Business, Woodland, Heritage and Farm Relief:** If the deceased owned a business, farm, woodland or National Heritage property, some relief from Inheritance Tax may be available

Transfers of assets into most trusts and companies will become subject to an immediate Inheritance Tax charge if they

exceed the Inheritance Tax threshold (taking into account the previous seven years’ chargeable gifts and transfers).

In addition, transfers of money or property into most trusts are also subject to an immediate Inheritance Tax charge on values that exceed the Inheritance Tax threshold. Tax is also payable ten-yearly on the value of trust assets above the threshold; however, certain trusts are exempt from these rules.

## GIFTS AND TRANSFERS MADE IN THE PREVIOUS SEVEN YEARS

In order to work out whether the current Inheritance Tax threshold of £325,000 has been exceeded on a transfer, you need to take into account all chargeable (non-exempt, including potentially exempt) gifts and transfers made in the previous seven years. If a transfer takes you over the nil rate band, Inheritance Tax is payable at 20% on the excess.

## PROFESSIONAL FINANCIAL ADVICE YOU CAN TRUST

We will assess your situation and provide advice on a number of tax migration solutions, creating bespoke estate protection planning strategies that are tailored to suit you and your circumstances. To review your particular situation, please contact us for further information. Don't leave it to chance.

FACTSHEET ESTATE PRESERVATION