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FINANCIAL SERVICES

Inheritance Tax

Should you review your situation with further changes on the horizon?

Inheritance Tax (IHT) affects not just the very rich – other people may be liable without realising it. Few taxes are quite as emotive – or as politicised – as IHT.



GIVE YOUR FAMILY LASTING BENEFITS

The structures into which you transfer your assets can have lasting consequences for you and your family. We can help you choose structures and trusts designed to protect your assets and give your family lasting benefits.

It is crucial to find out now if you potentially have an IHT liability – or could do so in future years. Historically, IHT planning used to be an activity confined to the very rich. However, growing affluence means that this is no longer the case. Even families and individuals with a relatively moderate level of wealth should consider planning ahead to ensure that their assets are passed on to their loved ones as efficiently as possible.

SAFEGUARDING YOUR OWN FINANCIAL FUTURE

Property price increases have also dragged many middle-class working families into the IHT bracket. Safeguarding your own financial future is very important, and giving too much away could put this at risk.

At the moment, if your estate is worth more than £325,000 when you die, your assets may be subject to IHT. This means the value of your assets above the £325,000 threshold could be subject to IHT at 40%.

PASSING ON ASSETS WORTH UP TO £650,000

Married couples and registered civil partners are allowed to combine their allowance, so they can pass on assets worth up to £650,000 before IHT is due.

From 6 April 2017, the Government is adding a family home allowance to the tax-free allowance. It will start at £100,000 per person in 2017, rising to £175,000 by April 2020.

COMBINED TAX-FREE ALLOWANCE OF £1M

This means that individuals will eventually be able to pass on an asset worth up to £500,000 without any IHT being due. For married couples and registered civil partners, this adds up to a combined tax-free allowance of £1m. However, if your estate is worth more than £2m, the family home allowance will gradually taper away.

This change is designed to allow middle income families whose only large asset is their home to pass it down the generations without paying a significant IHT bill, which in some cases can only be met by selling the property.

FAMILY HOME ALLOWANCE DRAFT LEGISLATION

The draft legislation currently states that the family home allowance is only applicable if

the assets are passed on to children, including stepchildren, adopted and foster children, and grandchildren. So if you don't have children or grandchildren, you may still face an IHT bill.

If you want to move to a smaller property, you will be eligible for an IHT credit, which means you will still qualify for the new threshold as long as most of your estate is left to direct descendants. ■

ONE OF LIFE'S UNPLEASANT FACTS

IHT is a very complex area of financial planning, and in the UK may be one of life's unpleasant facts, but IHT planning and obtaining professional advice could help you pay less tax on your estate. To discuss your situation and the options available to you, please contact us – we look forward to hearing from you.

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. Tax treatment is based on individual circumstances and may be subject to change in the future. Although endeavours have been made to provide accurate and timely information, we cannot guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough review of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions.