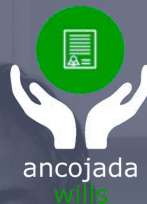


Inheritance Tax (IHT)



Inheritance Tax is a tax on the Estate (property; money; possessions; etc.) of someone who has died.

The Nil Rate Band (NRB)

Each person is given an allowance, known as the nil rate band (NRB), whereby no inheritance is charged on that amount. The current allowance is £325,000. Anything above the NRB is subject to 40% inheritance tax.

The Transferable Nil Rate Band

Couples who are married or in a civil partnership don't pay any inheritance tax on anything they leave to each other. Their unused allowance (or what is left of it if they left assets to beneficiaries other than their spouse) can then be transferred to the surviving spouse on their death. This means married couples or couples in a civil partnership have a combined allowance of £650,000 which can be left free of inheritance tax.

The transferable NRB is not automatically given to the Estate on your death. Your Executors must file certain forms to HMRC to apply for this relief to be applied to your Estate.

The Residence Nil Rate Band (RNRB)

The RNRB will be in addition to the standard nil rate band (NRB) and takes the form of an extra amount that can be offset against the value of property (land and buildings or possibly assets representing them) that has at some point been occupied as a residence. A property previously occupied and then let will still qualify. A property that has always been let, e.g. a buy to let, will be excluded.

The additional RNRB will be available if all or part of a "qualifying residential interest" is "closely inherited" on or after 6 April 2017, usually on the death of the owner. The definition of "closely inherited" is when a property is transferred to a direct descendent and this is defined as a child, including step-child, adopted child, or foster child and grandchildren.

Any person who is a minor is treated as direct descendant of anyone appointed as that individual's guardian.

The gift can also include gifts via a trust in certain defined circumstances. The transfer to direct descendants must be outright but some transfers on death into trust for the benefit of these descendants are permitted, transfers into bare trusts, transfers into immediate post-death interest trusts, transfers into 18-25 trusts and trusts for bereaved minors.

You cannot claim this allowance if the property is going into a Discretionary Trust (this includes Asset Protection Trusts).

The RNRB has been phased in gradually from 6 April 2017 until 6 April 2020.


- £100,000 for 2017/18
- £125,000 for 2018/19
- £150,000 for 2019/20
- £175,000 for 2020/21
- From 6 April 2021 the RNRB will increase in line with the consumer price index.

The amount of the relief shown above is the maximum available. This will be limited by reference to the value of the residence net of any mortgage charged on it. The relief is set against the gift of the residential property and will not be applied to the charge on the estate generally. Married couples and civil partners are able to carry forward RNRB that was not used when the first partner died.

The transfer to direct descendants can be by will, under an intestacy (dying without a Will) or as a result of survivorship. Care must be exercised as to whether assets do form part of the deceased estate before they are inherited. For example, gifts with reservation of benefit made during lifetime will qualify under the new regime as these are regarded as still part of the estate on death.

There is a provision to cover the situation where after 8 July 2015 (when the legislation was announced) the deceased had downsized to a less valuable residence or had ceased to own a residence that part will still be available as long as the deceased left a smaller residence or assets of equivalent value to direct descendants.

Taper relief will apply where the deceased's estate after deducting liabilities (but before reliefs and exemptions) exceeds £2m.



The RNRB will be reduced by £1 for every £2 excess value. The threshold will also increase in line with Consumer Price Index (CPI) from 6 April 2021.

If death occurs after 5 April 2017, the RNRB will first be set off against any chargeable transfers of a family home before the standard NRB. Any RNRB that is not used on the 1st death can be transferred in full to the estate of the survivor unless that estate exceeds the taper threshold (£2m).

If there is more than one qualifying residence, the personal representatives can nominate one of them to be the qualifying residence for the RNRB. Claims for RNRB must be made within 2 years of the death.

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