

Inheritance Tax guide

Inheritance Tax (IHT) is paid on the value of any assets you leave (and certain substantial lifetime gifts you make, and some types of trust funds if you get a benefit from them). Your solicitor or Institute of Professional Willwriters member will be able to advise you in more detail about it, but we have tried to explain it below as best we can.



The IHT threshold – the nil rate band

If the total value of your estate is over £325,000 (the current IHT threshold), IHT will have to be paid from your estate, generally at 40%, on the amount over £325,000, unless there are any exemptions available.

This means that if your estate is worth over £325,000, your beneficiaries will only keep £6,000 out of every extra £10,000 that you leave. If your estate is worth less than £325,000 however, there will usually be no IHT to pay on your death.

Gifts to charities, or your spouse or civil partner in your will are generally exempt from IHT. If you leave a gift to any of these, their value will be deducted from your estate before IHT liability is calculated.

Transferable nil rate band

Tax changes mean that where the first spouse or civil partner in a couple has died without using all their IHT allowance, (for instance, if they gave their whole estate to their surviving spouse / civil partner), their unused allowance can now be carried forward and used on the death of the surviving spouse or civil partner, to increase the amount of their estate which can pass free of IHT to family or friends. The maximum increase is 100% of the current nil rate band if none of their allowance had been used, so currently up to £325,000 in addition to your own, making a maximum nil rate band of £650,000 available.

The new 10% IHT charity relief

You may also have heard, if you now leave over 10% of your estate to charity, that the rate of any IHT due (on any part of your estate where IHT is payable) would be reduced from 40% to 36%. If your estate is over £325,000, use of this would enable you to leave a legacy to charity, whilst reducing the rate of IHT payable. This could mean that the other beneficiaries of your estate are affected less by the gift to charity than would have been the case without this reduced rate of IHT, and in some instances they may even receive more than if no gift to charity were made. This is quite a technical relief and, if it is of interest to you, we would suggest that you speak to a solicitor.

Changes to the IHT allowance or the value of your estate could make a big difference to the amount of tax on your assets, so be sure to review your Will frequently.