

Inheritance Tax



Wellesley

Here's how it works

This example is based on an estate worth £1.5 million being passed on to the children of the deceased.

	Example if single	Example if married or in a civil partnership (on 2nd death after the first deceased leaves the full estate to the surviving spouse)
Nil-rate band	£325k	£650k
Residence nil-rate band	£175k	£350k
Amount subject to IHT	£1m	£500k
40% IHT	£400k	£200k

Did you know...

The government has frozen the inheritance tax (IHT) thresholds until 5 April 2030. This is often described as a 'stealth tax' by the government as not increasing the thresholds in line with inflation means more and more families are automatically brought into the IHT net.

Three things to consider:

1

Drawing up a will*, or reviewing your existing will, is the easiest and most effective way to express the way you would like your wealth distributed when you die.

Without a will, your assets will be distributed on your behalf and may be liable to IHT that might otherwise be avoided.

2

One way of reducing your IHT liability is to make the most of your annual gifting allowance. You can gift £3,000 per tax year (£6,000 for a couple) and it won't be counted as part of your estate for IHT purposes.

You can also use last year's allowance if it was unused provided you use it first. This means a couple could potentially remove £12,000 from their estate in this tax year.

3

Making larger lifetime gifts, either to individuals or a trust, is an effective way to plan for IHT.

You would generally need to live 7 years for the gift to be effective. Equally, the liability can be covered using a life insurance policy.

With our invaluable advice we can help you maximise your allowances - and create the future you want. So, contact us now to discuss this and other ways of protecting your family wealth.

The levels and bases of taxation, and reliefs from taxation, can change at any time and are generally dependent on individual circumstances.

*Will writing involves the referral to a service that is separate and distinct to those offered by St. James's Place. Wills are not regulated by the Financial Conduct Authority.