

Time to review or make your will?

Further to our article last week, we now cover Inheritance Tax (IHT).

When considering the wording of your Will, you should note that the IHT nil rate band continues to be frozen at £325,000, subject to the Spring Budget. There is currently an additional nil rate band of up to £175,000 for passing on the family home to direct descendants on death.

Where some of the nil bands are unused on the death of the first spouse, the balance is available on the death of the surviving spouse, potentially allowing a married couple (or civil partners) to pass on assets of up to £1 million at today's rates without paying IHT.

The residence nil band is even available when you downsize to a cheaper property. For example, if a married couple currently live in a large house worth £500,000 and downsize to a flat worth £300,000, they could give away some of the proceeds during their lifetime and yet still benefit from inheritance tax relief based on the higher valued property.

One tax planning opportunity that many thought the chancellor might restrict was the exemption from inheritance tax for regular gifts out of an individual's surplus income. Inheritance tax is designed to tax transfers of capital, so if the donor can demonstrate that the gifts are made out of surplus income then the transfers are not taken into consideration for IHT. The

exemption applies where there is a regularity to the payments, such as a standing order to pay school fees or pension contributions on behalf of children or grandchildren. HMRC will also require proof that the payments are paid out of post-tax income and do not limit the donor's normal lifestyle.



If you leave at least 10% of your estate to charity, the rate of Inheritance tax on the amount chargeable is reduced from 40% over the nil rate bands to just 36%. This would reduce the amount passing to other beneficiaries and needs to be carefully considered.

If you require advice regarding this topic we would recommend speaking to your accountant, financial advisor, or solicitor.

Published in the Wigan Observer 16th January 2024