Inheritance Tax - Guide to Rates, Concessions & Allowances



***If your Estate or that of your spouse or civil partner is likely to exceed the nil rate band (currently £325,000) then it's a good idea to plan well in advance to take full advantage of the allowances available.***

**The Office for National Statistics (ONS) reports that in 2010-11 over 250,000 estates went through probate (nearly half of deaths in that year) and over 15,000 gave rise to an Inheritance Tax (IHT) liability. If your estate or that of your spouse or civil partner exceeds the nil rate band there is likely to be a charge to tax. The following table shows the current band and tax rates:-**

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| **Chargeable transfers on or within seven years of death** |
|   | **2014/15** | **2013/14** |
| **Nil rate band up to** | **£325,000** |       £325,000         |
| **Rate of tax on remaining balance** | **40%** |  40% |
| **Chargeable lifetime transfers** | **20%** | 20% |
| **Reduced rate \*** | **36%** | 36% |

**If a spouse or civil partner pre-deceases you and their estate gave rise to unused nil rate band allowance, it is possible to transfer the unused nil rate allowance to your estate.**

**There are a number of exemptions and allowances for lifetime gifts or transfers:-**

* **The majority of transfers between spouses and between civil partners.**
* **In any tax year the first £3,000 of lifetime transfers, in addition you can carry over any unused allowance from the previous tax year.**
* **Gifts to any number of individuals provided each individual gift does not exceed £250.**
* **a parent may make a gift to a child in consideration of marriage or civil partnership up to the value of £5,000, a grandparent up to the value of £2,500 and any other person up to £1,000.**
* **Gifts that are made out of income and form part of normal expenditure are not chargeable provided that they do not reduce the standard of living of the person making the gift.**
* **Charitable gifts made on death or during deceased's lifetime.**
* **Donations to qualifying political parties.**
* **If 10% or more of the net estate of the individual is gifted to charity, then the reduced rate (currently 36%) will apply to the taxable portion of the estate. \***

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| **Chargeable transfers within seven years of death** |
| **Years before death** | **0 -3** | **3 - 4** |   **4 - 5**     |   **5 - 6**    | **6 - 7** |
| **Tax reduced by** | **0%** | **20%** | **40%** | **60%** | **80%** |

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| **Business Property Reliefs** |
| **Business or interest  therein** | **100%** |
| **Qualifying shareholdings AIM listed & unquoted companies** | **100%** |
| **Assets (Land & Buildings, Plant & Machinery) used by or in****the transferors' controlled partnership or company** | **50%** |
| **Agricultural property \*** | **50% or 100%** |

**\*Either 100% or 50%.**

**Agricultural relief is due at 100% if**

* **immediately before the transfer the transferor had the right to vacant possession of the property or the right to obtain it within the next twelve months, or**
* **land was let on a**[**grazing licence**](http://www.hmrc.gov.uk/cto/glossary.htm#Grazinglicence)
* **property is let on a tenancy beginning on or after 1 September 1995, or**
* **the**[**transitional provisions**](http://www.hmrc.gov.uk/cto/customerguide/page17.htm#8)**for let property apply**

**Relief is due at a lower rate of 50% in any other case (principally where property is let on a tenancy granted before 1 September 1995 and the transitional provisions do not apply).**

**The value of any lifetime transfers made within seven years of death and not covered by the above exemptions and allowances will be added back to the value of the estate, when the estate is charged to tax. The value added back will be dependant on when it was made, the table below the appropriate calculations:-**

**Many parents decide to transfer their home to their children and remain living in it to avoid any IHT liability on death. It is always wise to consider the fact that should your child pre-decease you; their share of the property will fall into their estimate and any beneficiary may wish to initiate the sale of the property. Legal advice should always be sought when considering such a move.**



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