

What is Inheritance Tax?

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Inheritance Tax (IHT) is the money paid on your estate upon your time of death. It can also affect monies which are transferred into Trust funds during your lifetime. IHT is only paid on your estate if it is valued higher than £312,000 (2008/09) This is known as the Nil Rate Tax Band.

Anything above the basic 'Nil Rate Tax Band' of £312,000 is taxed at 40 per cent.

In most cases, Inheritance Tax must be paid within six months from the end of the month in which the death occurs, otherwise interest is charged on the amount owing.

Who Can I Give 'Gifts' Too?

During your life time it is possible to give a number of gifts away that are exempt from IHT. There are a number of people (beneficiaries) who can receive these exempt gifts;

Your husband, wife or civil partner (even if legally separated) must own a home in the UK

- UK Charities
- UK Political Parties
- Some National Institutions

What Gifts Are Exempt?

Some gifts are exempt from Inheritance Tax because of the type of gift or the reason for making it. These include:

- Wedding / Civil Partnerships Ceremony Gifts
- Annual Exemption
- Small Gifts
- Normal Expenditure Gifts
- These gifts can be given during your lifetime or left as a wish in your Will.

What Are PETs?

Potentially Exempt Transfers (PETs) - are gifts made during your lifetime, exceeding the annual gift allowance of £3,000 but within the Nil Rate Band. Provided the donor survives for a further 7 years, no tax will be payable and the gift becomes a PET.

In the event of death within the 7 years however, tax will be payable but if this occurs after 3 years, taper relief is available, thus reducing the amount of tax due.

A PET can be a highly effective way of reducing your IHT liabilities while simultaneously ensuring that your assets are passed to your intended beneficiaries.

Who Pays Inheritance Tax?

The 'personal representative' (the person nominated to handle the affairs of the deceased person) arranges to pay any Inheritance Tax that is due.

You usually nominate the personal representative in your will (you can nominate more than one), in which case they are known as the 'executor'. If you die without leaving a will a court can nominate the personal representative, in which case they are known as the 'administrator'.

Can I Save Inheritance Tax In My Will?

Solomons Solicitors can discuss with you all your options concerning Inheritance Tax ensuring you make the right decisions and aren't left paying too much IHT.

If you would like a [free initial consultation](#) to discuss your options, please feel free to contact us:

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