

2015 / 2016

TAX SAVING TOOLS

INHERITANCE TAX PLANNING

Notes

- 1 You can make gifts of up to £3,000 per tax year free of inheritance tax. If this exemption is missed in one year, gifts of up to £6,000 can be made in the following tax year. Regular gifts out of income that do not reduce your capital assets or standard of living, up to any amount, are free of inheritance tax once a pattern is established.
- 2 Gifts of up to £325,000 can be made and if you survive for 7 years after the date of that gift, it will not be counted as part of the total which is subject to inheritance tax on your death.
- 3 If a gift is made to a charity, the charity can claim the basic rate tax relief on that gift and you can claim the higher additional rate tax relief.
- 4 In case of a wedding / civil partnership, gifts of up to £1,000 can be made free of inheritance tax to the couple. Parents can make gifts of up to £5,000 in consideration of that wedding/ civil partnership.
- 5 If you wish to leave assets to your partner but you are not married or in civil partnership, the best way is to get married / in civil partnership before the assets are transferred to make use of the exemptions.
- 6 Contributions to a registered pension scheme will entitle you to basic rate tax relief on the contributions. Higher rate tax payers can claim the additional tax rate on their tax returns. The pension scheme will also get an additional 25% on the net contribution you make.
- 7 Contributions can also be made on behalf of your children to which will be added an additional 25% on the net contributions, but the amount cannot be drawn until they are at least 55 years of age.
- 8 Although you can contribute any amount to your pension scheme, the tax relief will only apply to £40,000, the current annual allowance.
- 9 A Will becomes invalid when you get married. Without a valid Will, your spouse / partner does not automatically inherit all of your assets.

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| <p>10 One way of saving on inheritance tax to include a provision to pass on an amount equal to the inheritance tax nil rate band, leaving the rest to your spouse / civil partner.</p> <p>11 Since all gifts to your spouse / civil partner are exempt from inheritance tax, it is often more tax efficient to leave agricultural / business property to someone else (e.g: grand children), otherwise agricultural or Business Property Relief will be wasted.</p> <p>12 If you become incapacitated or critically ill, make sure that you arrange for someone to have an enduring power of attorney to deal with your business and other affairs.
A Key-man insurance and critical illness cover is also important</p> <p>13 Where your life insurance is written into a trust, the payment thereof will not count as part of your estate for inheritance tax purposes and will help the beneficiaries meet their inheritance tax liability.</p> <p>14 If you own shares in a trading Company, the shares can be gifted and will not form part of the total subject to Inheritance Tax subject to certain conditions.</p> <p>15 Make sure your will is up to date. A will becomes invalid when you get married. Without a valid will your spouse or partner will not inherit your assets and could be left with insufficient means to support herself</p> <p>16 If you are not married or in civil partnership, you will not be entitled to exemption from inheritance tax. The way to secure that exemption is to get married / register a civil partner with the intended recipient before the gift is made</p> <p>17 A tax efficient strategy is to write a Will containing a provision to pass on equal value to the inheritance tax nil rate band (currently £325,000) and leave the rest free of tax to your spouse / civil partner</p> <p>18 Having a life insurance policy written in trust can avoid the proceeds forming part of your estate on which inheritance tax is payable</p> | |
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