Pro Active Resolutions

Inheritance Tax: Estate Planning

The inevitable things in life, such as death and taxes are ones that we do not like to dwell on too much. It is perfectly possible, with careful planning to minimise the impact of Inheritance Tax, and thus leave a larger estate to pass onto family, friends and other named beneficiaries.

A great number of people, understandably, only consider IHT when a bereavement occurs. The earlier that we start considering Inheritance Tax and making necessary arrangements the better. We can relieve some of the burden from our chosen beneficiaries, leaving them more financial resources to support their lives and family. However, even at death it is not too late to minimise the impact of Inheritance Tax.

Inheritance Tax was introduced in 1986 to replace capital transfer tax, Inheritance Tax is applicable:

- On the death of an individual
- On lifetime gifts where the donor dies within 7 years of date of gift
- On some lifetime gifts which are taxed immediately

Not everyone pays Inheritance Tax, it is only due if your estate - including any assets held in trust and gifts made within seven years of death - is valued over the Inheritance Tax threshold. The tax is payable at 40% over this threshold. It is important to note that for UK domiciled individuals, assets include those held overseas.

Rates

	2015/16	2014/15
Standard threshold	£325,000	£325,000
Combined threshold maximum for married couples & civil partners	£650,000	£650,000
Rate of tax on balance:		
Chargeable lifetime transfers - normally those into a trust Transfers on, or within 7 years of, death	20% 40%	20% 40%

All lifetime transfers not covered by certain exemptions and made within seven years of death will be added back into the estate for the purpose of calculating the tax payable. Tax attributable to such transfers is then reduced by "taper relief", rates given below:

Years before death	0-3	3-4	4-5	5-6	6-7
Tax reduced by	0%	20%	40%	60%	80%

Please contact us for an initial discussion and review.