

Inheritance Tax

All individuals are potentially liable to IHT. If you are born in the UK or have been living in the UK for the last 17 out of 20 tax years, then you will be subject to IHT on your UK and worldwide assets.

If you were not born in the UK but you are a resident and you have not been living in the UK for the last 17 out of 20 tax years, then you are only subject to IHT on your UK assets only.

The tax is triggered on:

- The death of an individual (tax is levied on the remaining estate,)
- On lifetime gifts where the person giving the gift has died within 7 years of having made the gift (this means the person who received the gift will end up paying tax for it,)
- On the gift of trusts on the date they are transferred (Explored Below)

How is it charged?

IHT is charged on the following:

1. A Transfer value: Usually the market value of the gift given.
2. Of chargeable property: All property to which a person is beneficially entitled is deemed to form part of their estate, in simple terms all personally owned assets are deemed chargeable.
3. By a chargeable person: As mentioned above all individuals are potentially liable to IHT.

Types of transfers

Potentially Exempt Transfers (PETS):

These are gifts by an individual:

- To another individual
- If the donor dies within 7 years of giving the gift then a calculation is completed and a tax charge is payable.
- However if the donor dies after 7 years, then the gift is completely exempt, there is no tax to pay.

Chargeable lifetime Transfers (CLT):

- The specific definition is, usually considered as a gift that is not exempt nor a PET. Generally all trusts are CLT's.
- CLT's unlike PET's are chargeable on the date the gift is made. The 7 year exemption rule does not apply to CLT's.
- If the Donor dies within 7 years, the CLT is charged again (at the death tax rate)