



ocean
wills & probate

Inheritance Tax How much is payable?

The need for planning

Inheritance Tax (IHT) was once only seen as a tax for the wealthy, but a sharp rise in property prices in recent years, together with recovering stock markets, has led to an increasing number of estates facing an IHT liability.

With a significant amount of the IHT paid relating to money held on deposit and other liquid assets, it is evident that some relatively simple planning could reduce or even eliminate a charge to IHT. Presently everything in excess of £325,000 is potentially liable to IHT.

With married couples or those in a registered civil partnership, if the nil rate band remains unused on first death, or only a portion of it is used, any unused nil rate band can be transferred to the survivor and used by the survivor on second death. This does not mean that the nil rate band has doubled. It does mean that there can be two full nil rate bands used on second death.

The tables below highlight the extent of the problem for both individuals and married couples/civil partners.

Individuals

| Value of estate | Amount of estate taxable | IHT due at 40% |
|--------------------|--------------------------|----------------|
| Less than £325,000 | £0 | £0 |
| £500,000 | £175,000 | £70,000 |
| £700,000 | £375,000 | £150,000 |
| £1,000,000 | £675,000 | £270,000 |
| £1,500,000 | £1,175,000 | £470,000 |

Married couples (if the first nil rate band remains unused in full on the second death)

| Value of estate | Amount of estate taxable | IHT due at 40% |
|--------------------|--------------------------|----------------|
| Less than £325,000 | £0 | £0 |
| Less than £650,000 | £0 | £0 |
| £750,000 | £100,000 | £40,000 |
| £1,000,000 | £350,000 | £140,000 |
| £1,500,000 | £850,000 | £340,000 |

How much IHT will your estate pay?

Have you ever tried to calculate how much IHT is liable on your estate? You may wish to complete this rough guide to calculate how much IHT is due – the result may surprise you.

This calculator has been provided as a quick guide only and does not include other reliefs and exemptions that may be applicable to you and your assets. It is also important to note that any

gifts made in the last seven years or entitlements you may have in existing trusts are not included within this calculation, which may further increase your liability to IHT.

For married couples, any liability to IHT may not arise until the second death depending on the provisions of Wills.

| Assets | |
|--------------------------------------|----------|
| Value of your home | £ |
| Other property | £ |
| Personal assets | £ |
| Lump sum investments | £ |
| Regular savings | £ |
| Cash/savings | £ |
| Life assurance not held in trust | £ |
| Total assets (A) | £ |
| Liabilities | |
| Mortgages | £ |
| Loans and credit cards | £ |
| Total liabilities (B) | £ |
| Net Estate (A minus B) | £ |
| Minus nil rate band | |
| Individuals (enter £325,000) | - £ |
| Married couples (enter £650,000) | - £ |
| Amount liable to IHT | £ |
| IHT liability on death at 40% | £ |

If you are concerned about the effect that IHT will have on your estate and the amount of money that will be left to your family and friends, Mary McCartney will be pleased to advise you on possible ways to mitigate this through Wills and Lifetime Planning. The levels and bases of taxation and reliefs from taxation can change at any time and are dependent on individual circumstances.

Contact Mary McCartney to arrange a free consultation at our Westbury-on-Trym Office
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