



INHERITANCE TAX

Most people want to mitigate the amount of Inheritance Tax (IHT) which has to be paid on their estate. The normal rate of tax is 40% but this can be mitigated using a number of different solutions depending on your circumstances. Here are just a few examples:

1. Making use of the available reliefs:

There are a number of reliefs available depending on your situation and below are just a few examples:

- a. Spouse relief – by leaving your estate to your surviving spouse, you can benefit from 100% spouse relief. By passing assets through a spouse either directly or through a trust can save substantial amounts of IHT.
- b. Charity exemption – charities are exempt from paying IHT. If you leave over 10% of your estate to charity, you could benefit from paying IHT at a rate of 36% instead of the normal 40%.
- c. Annual exemptions – each year, each individual is entitled to gift away £3,000 free of IHT. If you give away income, you can give away any amount if it does not affect your standard of living.

2. Gifting away your assets:

Should you decide to gift away some of your assets, subject to you surviving seven years after making the gift and not deriving any benefit from it, then these gifts will be free of IHT. There are complicated rules which you need to be aware of but if carefully utilised, this can be a very useful tool. If you need access, we can create a trust that allows you that flexibility.

3. Discounted Gift Trusts (DGT):

You could decide to put some money into a special form of trust and, depending on your age and general health, you could qualify for an immediate discount on the value of the gift and thus reduces the IHT. This could be by over half if the circumstances are appropriate. You will also be able to get up to 5% from the investment per annum, free of tax.

4. Business Property Relief (BPR):

This involves investing money in to a trade/business entity where you only need to survive two years for it to be totally free of tax. We have several solutions which use this relief to obtain substantial savings of IHT.

We also advise on life assurance policies and other ways to mitigate your inheritance tax bill. All of the above have advantages and disadvantages and we would, of course, be happy to discuss these options in more detail with you should you be interested. No action should be taken based on the above without seeking the advice of an expert to consider your personal circumstances.



Jeffrey Cohen
Senior Associate, London

T: 00 44 (0) 207 240 0521
E: Jeffrey.Cohen@mackrell.com



Natalie Payne
Assistant Solicitor, London

T: 00 44 (0) 207 240 0521
E: Natalie.Payne@mackrell.com

