

2014 INHERITANCE TAX UPDATE

Every month, the directors at mcphersons share some useful financial tips especially for Bexhillian readers. This month, Ainsley Gill looks at Inheritance Tax Planning



What is Inheritance Tax (IHT)?

When you die, the Government assesses the value of your estate (property, cash etc.) and deducts any debts owing by you. If the remaining amount exceeds the threshold (£325,000 until 2018), you must pay tax at 40% on the extra amount. This is reduced to 36% if you donate at least 10% to charity.

What about Assets left to my spouse?

If your spouse is UK domiciled, any assets left to them are exempt from IHT. In addition, your partner's IHT allowance is increased by the amount you didn't leave to others. This means a couple can leave £650,000 tax free. Being UK domiciled will mean all overseas assets are subject to IHT.

How can I reduce my Inheritance Tax bill?

GIFTING – Money you give away before you die is normally counted as part of your estate. However, it is not counted if you live for 7 years after giving the gift. This is why it is important to plan as early as possible. However, gifts to charities are inheritance tax free

ANNUAL GIFT EXEMPTION – The first £3,000 gifted each year is ignored. If you don't use it, it can be carried into the next year (no more than this though).


THE £250 'PRESENTS' – You can give £250 to as many people as you like and this is not counted in the £3,000 referred to above. For example, if you have 10 grandchildren, you can give each of them £250 each year and this would be exempt from inheritance tax.

GIFTS ON CONSIDERATION OF MARRIAGE - Each parent can gift £5,000, grandparents, bride/groom £2,500 and anyone else £1,000. However, it is not a wedding gift, it must be conditional, for example, "If you marry my daughter, I'll give you £5,000!"

GIFTS FROM INCOME – This is referring to gifts from pensions or other earnings. You can't give it all away though, you must show that giving it away does not affect your lifestyle.

GET ADVICE FROM AN ACCOUNTANT/TAX ADVISOR – This is the most effective way of finding the best solution for you. After all, you've already paid tax at the time of earning your money, why should you pay more than you have to on what you leave your beneficiaries?

“ In this world, nothing can be said to be certain except **Death and Taxes** ”



Benjamin Franklin, Excerpt from a letter to Jean-Baptiste LeRoy

But don't give away too much!

Lifetime planning should ensure you have choice and dignity later on in life as well as on reducing your tax bill.

Need more help?

This feature aims to give some informal hints and mcphersons are offering free advice so get in touch now to arrange your free meeting.

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