

WHAT IS THE RESIDENCE NIL-BAND RATE AND WHY DOES IT MATTER TO YOU?



The Residence Nil Band Rate (RNRB) was introduced by the Government in 2017 and benefits families passing on their main property to a direct descendant.

Since its introduction, millions of families around the UK have benefitted from its ability to minimise Inheritance Tax (IHT) bills.

Will the RNRB mean paying less IHT?

As of the 2023/24 tax year, the basic Nil-Rate Band allowance on IHT is £325,000.

The RNRB gives you an additional tax-free allowance of £175,000, where your main property is passed to a direct descendant. This means that the first £500,000 of your estate will be free of IHT.

The current IHT relief thresholds have been frozen at their current level until April 2028.

With house prices rising, this freeze will affect many families who will find themselves increasingly above the thresholds and ultimately paying more tax.

The RNRB will only come into effect if the residences are passed to direct descendants who are defined as:

- A child, stepchild, grandchild, or other lineal descendant

- A spouse or civil partner of a lineal descendant (including their widow, widower, or surviving civil partner)
- An adopted or fostered child
- A child where they're appointed as a guardian or special guardian when the child is under 18

Direct descendants do not include nephews, nieces, siblings, and other relatives who are not included in the above list.

Can my RNRB allowance work in addition to my spouse's?

As with the basic IHT allowance, any unused RNRB allowance will be transferred to an individual's spouse or civil partner upon their death.

This means that descendants of their spouses will be able to claim a tax-free allowance from both individuals. This totals £650,000 in basic IHT Nil-Rate Band allowance and £350,000 from RNRB. This means that descendants can potentially enjoy £1 million of an estate tax-free, where the right conditions are met.

RNRB on high-value properties

On estates worth £2 million or more, the RNRB allowance will reduce by £1 for every £2 that the estate is worth. This can also affect the amount of RNRB that can be transferred to a surviving spouse or civil partner, so the correct figures must be calculated.

How can McPhersons help?

McPhersons have a dedicated tax department with many years of experience. It really is worth speaking to our experts to ensure you keep as much of your money in the family as possible.

To take full advantage of the tax planning opportunities this offers and for help and advice with IHT and the RNRB, [contact us today.](#)

