

Gifting, Inheritance Tax allowances, exemptions & reliefs



There are a number of allowances, exemptions and reliefs that can be applied to your estate, which may significantly reduce liability to Inheritance Tax (IHT).

Gifts up to £3,000 annually – you can give £3,000 away as a single gift, or as several gifts, and carry over any unused allowance to the next year.

Small gift exemption – you can make gifts of up to £250 each tax year to as many people as you want and they will be exempt from IHT.

Wedding gifts – wedding gifts of up to £5,000 can be made to your children, £2,500 to your grandchildren or £1,000 to anyone else getting married and will be exempt from IHT.

Regular gifts or payments that are part of your normal expenditure – are exempt from IHT, if made out of your after-tax income (not including your capital) e.g. monthly allowances, savings plans for grandchildren etc.

Potentially exempt gifts – if you make a gift and then survive seven years, the gift is generally exempt from IHT, regardless of its value.

Gifts to Trusts – provide asset protection, IHT savings and give flexibility regarding who benefits, when and how. Call for guidance, as the tax treatment of Trusts is complex and not all assets sit happily within them.

The spouse or civil partner exemption – IHT is not payable on unlimited gifts to your spouse or civil partner on death. If you are not married and have not gone through a civil partnership, gifts to your partner won't be exempt.

Charities, political parties and certain institutions – you can give or leave money or assets to charities, major political parties, and some institutions, e.g. museums or galleries, and they will be exempt from IHT.

Business Property Relief – 50% or 100% relief depending on the nature of the asset once held for two years – scope for planning in lifetime or on death. Call for guidance.

Woodland, Heritage and Farm Relief – it is also possible to claim reliefs for farm, woodland or National Heritage property.

Nil-Rate Band (NRB)

This is the threshold above which Inheritance Tax (IHT) is charged on the value of an individual's estate at the time of death.

The NRB for each individual is currently £325,000. IHT is charged at 40% on the balance of the estate above the NRB.

Any portion of the NRB unused when a spouse or civil partner dies may be transferred to the surviving partner.

If you have any questions about IHT, please call Mark, Moira or Bernice on 01704 571777.