



SK | Sedgwick Kelly LLP  
Solicitors

# INHERITANCE TAX PLANNING

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Lawyers you can trust

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Sedgwick Kelly LLP is the practice resulting from the merger of two of the longest established firms of Solicitors in Watford, namely Sedgwick Turner and Kelly Nichols & Blayney.

This practice offers greatly enhanced expertise in many areas of the law including:

**WILLS - PROBATE - INHERITANCE TAX PLANNING**

**CONVEYANCING - COMMERCIAL & CORPORATE**

**MATRIMONIAL - LANDLORD & TENANT**

**HIGH COURT & COUNTY COURT LITIGATION**

This practice is a member of Conquest, the National Solicitors' Network.



Sedgwick Kelly LLP members are: Richard D Bubbers, Caroline J Kernanec,  
Claire J Miller, Amanda J Clark and Gavin F Whyte.

## INTRODUCTION

If your estate is valued at over £325,000.00 (equivalent to the Inheritance Tax nil rate band – the amount you are allowed to have before Inheritance Tax becomes payable) then the balance exceeding £325,000.00 may be subject to Inheritance Tax at the rate of 40%, depending upon who benefits under your Will.

There are various ways of mitigating your liability to Inheritance Tax, depending upon the nature of your assets and the size of your estate.

## LIFETIME EXEMPT GIFTS AND TRANSFERS



Certain gifts made during lifetime are not subject to Inheritance Tax:-

- Gifts to Charities based in the UK
- Gifts to Political Parties
- £250.00 to any number of individuals in each tax year

- £3,000.00 in each tax year. For instance you can give three children £1,000.00 each. This exemption can also be carried forward for one tax year.
- £5,000.00 gift from a parent to a child on marriage/civil partnership
- £2,500.00 gift from a grandparent to a grandchild on marriage/civil partnership
- Normal and regular expenditure out of income (rather than capital). To qualify for this exemption you must show that after such expenditure you are left with sufficient income to maintain your usual standard of living and that you have made the gifts out of income on a regular basis, not just one off payments.

Careful consideration should be given when making lifetime gifts of assets, other than those already mentioned.

Assets can also be transferred into Trusts or given away to individuals during lifetime to save Inheritance Tax, provided that certain criteria are met. Please contact our Private Client Department for further advice on the special rules that apply in these circumstances.

## SPOUSE / CIVIL PARTNER ADDITIONAL EXEMPTION FOR INHERITANCE TAX

On 9<sup>th</sup> October 2007 the Chancellor announced changes to the Inheritance Tax regime which provide significant benefits to couples who are married or in a civil partnership.

Prior to this change in the law, if married couples or civil partners had not used up their nil rate band for Inheritance Tax on the first death it was lost.

Under the new system a surviving spouse or civil partner will be able to carry forward the unused allowance which can then be used against their own estates, greatly increasing their allowance before tax becomes payable.

For example:-

If husband died in 1975 leaving everything to his wife and he had not made any lifetime gifts his nil rate band allowance would have been unused. If his wife dies in March 2008 she can carry

forward two allowances of £325,000.00 each giving a total tax free estate of up to £650,000.00.

If some of the nil rate band had been used then the unused proportion can be carried forward as a percentage of the nil rate band at the time of the second death.

There appears to be no restriction on the amount of time between the first spouse dying and the second provided the second spouse died after 9<sup>th</sup> October 2007.

If you would like further advice on Inheritance Tax then please contact us.