

Key Personnel

Senior Partner

Robin Winter

Partners

Jonathan Adamson

Ian Palfrey

Mark Robertson

Matthew Struthers

Sandra Turnbull

Associates

Moira Kinloch

Lynn Marshall

Consultants

John Stewart

Andrew Wright

For full details please see our website at
www.hendersonblack.co.uk

The information in this leaflet is a general description only and specific advice should always be obtained before taking any action.

Addresses

26 Rodger Street
Anstruther, Fife
KY10 3DU

Email: anstruther@hendersonblack.co.uk
Tel : 01333 310585
Fax : 01333 312119

Edenbank House
22 Crossgate
Cupar, Fife
KY15 5HW

Email: cupar@hendersonblack.co.uk
Tel: 01334 656666
Fax: 01334 656278

1 East Shore
Pittenweem, Fife
KY10 2NQ

Email: pittenweem@hendersonblack.co.uk
Tel: 01333 311771
Fax: 01333 312218

Chestney House
149 Market Street
St Andrews, Fife
KY16 9PF

Email: standrews@hendersonblack.co.uk
Tel: 01334 472255
Fax: 01334 475792

Henderson Black & Co

CHARTERED ACCOUNTANTS

INHERITANCE TAX

RELIEFS

ANTRUTHER
CUPAR
PITTWEEM
ST ANDREWS



Inheritance Tax

Tax is chargeable on estates worth more than £325,000 at a rate of 40% on the excess over that amount. Certain lifetime transfers are also taxable.

However gifts to individuals during lifetime are not taxed unless the donor dies within seven years.

There are other reliefs and exemptions, including:

Annual exemption

£3,000 can be given in total in any tax year. This rises to £6,000 if nothing was given the previous year.

Small gifts

£250 can be given to any individual in a tax year.

Business and agricultural property

Reliefs can be 50% or 100% depending on the circumstances. There are a number of conditions and the Inland Revenue are taking steps to restrict the reliefs by tightening definitions. For example, they are looking at what constitutes a farmhouse, rather than simply a house on farm land. Assets not used for business purposes, for example cottages that are let out, do not qualify.

Spouse exemption

Gifts to a husband or wife are generally exempt. If the spouse is not domiciled in the UK then there is a limit to the exemption of £55,000.

Normal expenditure out of income

This exemption is in addition to the annual amount of £3,000. The gift must be clearly out of income, so if the donor's net worth decreases during the year then the amount of the decrease will not count.

The gifts must be regular. This can be established by showing a pattern of expenditure or by showing a commitment to making future gifts. Examples would include a promise to pay school fees or to meet the premiums on an endowment policy.

Gifts on marriage

These can be made in addition to the annual amount. The limit depends on the relationship to the person getting married:

parent	£5,000
remoter ancestor	2,500
Party to marriage	2,500
other person	1,000

Political parties

Gifts to political parties are exempt

Community Amateur Sports Clubs

Again, any gifts are exempt.

Charities

Any gift to charity is exempt. During lifetime, these can be structured in most cases to gain Income Tax higher rate relief as well.

Gifts to national bodies

Gifts to bodies such as National Museums or the National Gallery are exempt from Inheritance tax.

Tapering relief

The value of an estate on death is taxed as the top slice of cumulative transfers in the seven years before death.

Transfers within seven years of death are taxed on the value of the gift at the date of the gift, but using the death rate of tax applying at the date of death.

There is a sliding scale which reduces the tax by one fifth for each year from year three to year seven.

However, it should be noted that in many cases the gifts during lifetime will be within the £325,000 nil rate band. There will, therefore, be no tax payable on them and so there is no reduction. They use up part of the nil rate band, so the tax payable on the estate on death is higher than it would otherwise be.