



#AskMachins

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In the most recent of our webinars, hosted with Rebecca Nkoane from Fidelium Financial, we looked at Inheritance Tax planning and the importance of wills. Amongst the questions that were asked at the end one stuck in my mind, "If I make a gift of £10,000, how much Inheritance Tax will I pay?"

As we discussed this straightforward question, I realised just how many answers there are! It reminded me of the importance of looking at different options and considering it from every angle. Do you know what the answer would be? I am not sure if I can say that I do...without more information.

For example, that gift of £10,000 might be the first gift you have made in the past 7 years and so there would be no Inheritance Tax. That would eat into your Nil Rate Band first and so may be entirely Inheritance Tax free.

In another scenario, that gift may benefit from one annual allowance of £3,000 and so be subject to Inheritance Tax on the remaining £7,000.

Or, you may have your previous tax year allowance to use and so in fact there is a potential Inheritance Tax liability only on £4,000.

We can go one step further. Was this question asked from the perspective of a single person or perhaps a couple, in which case you may be able to use two annual allowances – a total of £6,000 – leaving a potential Inheritance Tax liability split between the couple of £2,000 each.

Or again, if we could use the previous annual allowance of £3,000 for both people in the couple, that would be £12,000 in total and completely cover the £10,000 gift.

What if that gift was made to charity – in which case there would be no Inheritance Tax whatsoever?

The possibilities continue.

Perhaps the best response would be that the person asking the question would not be paying any Inheritance Tax! It would be met by the recipient or the executors of the estate, after death, depending on the circumstances.

What started as a straightforward question reminded me of the importance of looking at all of the circumstances, taking the wide lens view, before jumping to conclusions. Sometimes the answer is not straightforward – there are a number of possible permutations to be considered. It's good to talk these issues through with our clients, so we can give them a more definitive answer!

For information on any aspects of Inheritance Tax, please contact Nicki on nicki.denton-masih@machins.co.uk or call 01582 514365

