



Inheritance Tax is the tax payable on an individual's estate after somebody has died. Inheritance Tax can be complex to understand and is often misunderstood. It is often seen as one of the most unpopular taxes so it is important to consider ways to minimise the liability with careful planning.

Here's our top 10 facts that we think you should know about Inheritance Tax:-

- The rate of Inheritance Tax is 40% - although it can be different in some circumstances.
- Inheritance Tax is the tax paid on an estate after somebody has died. Sometimes it is paid on payments to Trusts or gifts made during a person's lifetime – but it is more commonly known as the tax paid when someone has died.
- The Nil Rate Band is the amount that can be left free of Inheritance Tax for each individual. In the tax year 2021-2022 the Nil Rate Band is £325,000. This is frozen until 2026.
- Individuals have their own Nil Rate Band, no matter their wealth. It can be eroded by gifts, but the starting position is the same for all adults domiciled and resident in the UK.
- Some individuals can benefit from a Residence Nil Rate Band which will apply if they have an interest in a property they have resided in, which is closely inherited by a lineal descendant. Typically this will be your spouse or civil partner, child or children.
- Who is responsible for paying Inheritance Tax will depend upon the circumstances. Normally the Personal Representative will be responsible for paying the Inheritance Tax in an estate. Sometimes recipients of gifts during a lifetime or Trustees for a Trust asset will have to pay Inheritance Tax.
- An individual has an annual exemption of £3,000 each tax year. This can be left free of any Inheritance Tax, no matter how long the person survives after the gift.
- Gifts to spouses or civil partners are exempt from Inheritance Tax during the person's lifetime or on their death.
- In the tax year 2020-2021 HMRC received £5.4 billion of Inheritance Tax – an increase of 4% from the previous tax year (government statistics). A correctly drafted will is vital when considering Inheritance Tax planning. Gifts to charity are left free of Inheritance Tax. If at least 10% of your total assets are left to charity then the Inheritance Tax rate itself is reduced from 40% to 36%.
- Spending your money is one of the best ways of minimising the Inheritance Tax liability!

For more information please contact our Private Client team on 01582 514000 or visit our website www.machins.co.uk