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- > Family, Children & Separation
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Inheritance Tax is the tax payable on the death of an individual based on the value of their assets. Inheritance Tax can be complex to understand and is often misunderstood. It is seen as one of the most unpopular taxes so it is important to consider ways to minimise the liability with careful planning.

Here are some 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 the value of the assets of somebody who has died. Sometimes it is paid on transfers 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 2023-2024 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 lifetime gifts, but the starting position is the same for all adults domiciled and resident in the UK.
- Some individuals can benefit from the Residence Nil Rate Band which will apply if they have an interest in a property they have lived in, which is closely inherited by a lineal descendant. Typically this will be your child or children.
- Who is responsible for paying Inheritance Tax will depend upon the circumstances. Normally this is the Personal Representative of the deceased. Sometimes recipients of gifts during a lifetime or Trustees for a Trust asset will have to pay a proportion of Inheritance Tax which falls due because of a death.
- An individual has an annual exemption of £3,000 each tax year. Gifts to this value are free of any Inheritance Tax, no matter how long the donor survives after the gift.
- Gifts to spouses or civil partners are exempt from Inheritance Tax during the person's lifetime and on their death.
- Each year the total Inheritance Tax paid increases in part due to rising property prices and the freezing of the tax free allowances. 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.