

Inheritance Tax (IHT) planning and allowable Gifting

From 6 April 2025, the domicile-based system for Inheritance Tax (IHT) has been replaced with a residence-based system. The test for whether non-UK assets are in scope for IHT is whether an individual has been resident in the UK for at least 10 out of the last 20 tax years immediately preceding the tax year in which the chargeable event (including death) arises.

If your Estate is worth more than £325,000 (£650,000 for married and civil partners), it may be subject to IHT when you pass away. The current IHT rate is 40%. There is the additional NIL-rate band of £175,000 when a residence is passed to direct descendants.

One of the best ways to avoid unnecessary tax on death is to consider giving away assets and money while you are still alive.

If gifting assets or money to spouse, civil partner or charity, there is NO tax due after death. However, if you do not survive 7 years after making the gift, it may be included in your Estate for IHT purposes. Gifts that are exempt and will not be included in your Estate as follows:

- Most important, regular gifting out of normal income, as long as your lifestyle not impacted and is not out of savings. The regular, can be annual, quarterly or monthly.
- If the seven years pass, after date of gift.
- £3,000, the one-off annual amount that may be gifted in a tax year, while alive - Annual Exemption. Any unused annual exemptions may be carried forward for one tax year only.
- £250 maximum you can gift to any individual, who has not benefited from 'Annual Exemption'. There is no limit to the number of donees.
- Certain wedding gifts are exempt, please refer to us for further details.

Proposed changes to IHT reliefs from 6 April 2026

The government has announced it will reform agricultural property relief (APR) and business property relief (BPR) from 6 April 2026.

Relief of up to 100% is currently available on qualifying business and agricultural assets. In addition to existing nil-rate bands and exemptions, the 100% rate of relief will continue for the first £1million of combined agricultural and business property and it will be 50% thereafter.

Careful IHT planning is all about passing as much of the proceeds of an ESTATE as possible to chosen beneficiaries rather than to the HMRC. Please contact us if you require IHT planning advise.