
HOW MUCH INHERITANCE TAX WOULD YOU NEED TO PAY?

Nil Rate Band (NRB)

Currently, each individual is entitled to leave the sum of **£325,000 free from inheritance tax on their death**. This is called your Nil Rate Band (NRB).

Gifts to spouses or civil partners on first death are exempt from inheritance tax.

If you do not have a spouse or civil partner or children, the maximum amount you can leave tax free is £325,000.

If you leave everything to your spouse or civil partner when you die, when they die, they can leave their £325,000 and your unused £325,000 which is automatically transferable between spouses and civil partners. This means they can leave £650,000 tax free on their death.

If you are unmarried but live with a partner, then the NRB is not transferable and anything you leave your partner will not be exempt from inheritance tax if your estate is over £325,000.

Residence Nil Rate Band (RNRB)

When passing a residential property to a direct descendant you are entitled to leave a further £175,000 free from inheritance tax. This may increase in the future.

Again, if you leave everything to your spouse or civil partner on your death, they can on their death leave their £175,000 and your £175,000 which is automatically transferable i.e., a total of £350,000, currently. However, the amount able to be utilised is capped at the value of the residential property. For example, if your residential property is only worth £250,000 then £100,000 of the RNRB will not be able to be used against your estate when calculating inheritance tax.

Taper threshold for Residence Nil Rate Band:

- A taper is applied to reduce the available RNRB for estates valued at over the taper threshold. This is set at £2 million.
- The RNRB will gradually reduce, or taper away, for an estate worth more than £2 million, even if a home is left to direct descendants.
- The RNRB will reduce by £1 for every £2 that the estate is worth more than the £2 million taper threshold.

Therefore, an estate of £2,350,000.00 would not benefit from the additional RNRB at all.

Lifetime Gifts

The **NRB** can be used up by lifetime gifts made within 7 years prior to death.

If you have made a gift of over **£3,000** a year over the last 7 years and you fail to survive for 7 years after the gift was made, the gift will eat into your available **NRB**.

The longer you survive after making this gift, the lower the inheritance tax will be.

Gifts to charities and certain other organisations are exempt from inheritance tax.

Ask us for further information or advice about inheritance tax during your free initial consultation!