

Inheritance Tax Will

In 2007, the Government changed the legislation to allow the surviving spouse the ability to carry forward the deceased person's Inheritance Tax allowance. It was looked upon by many as a favourable thing but has it actually helped people?

Firstly the legislation ONLY applies to married couples or civil partners. So for those of us who do not fall into either category nothing has changed.

For those who are married or in a civil partnership each partner still has an allowance of £325,000.

When one partner dies this normally passes directly to the surviving spouse/partner.

A person's estate on average grows 8% a year whilst the nil-rate band has, on average over the last 10 to 20 years, only increased 4% per annum.

Assuming the first deceased has an estate of £325,000, this inherited amount will be worth approximately £701,500 in ten years time however the IHT threshold will only have increased to £518,000 resulting in an IHT bill of £73,400 on this part of the surviving person's estate. ($£701,500$ less $£518,000$ x 40%).

With an IHT Discretionary Trust Will the £325,000 will be held in Trust. NO IHT will be payable on this part of the surviving spouse's/partner's estate regardless of what value it has grown to as any money/assets held in Trust do not form part your estate for IHT purposes. So in our example above a very significant tax saving of £73,400 would be realised for your family.

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