

No one is too young for estate planning. If you are concerned about the effect Inheritance Tax (IHT) may have on your estate, here are some useful tips to consider.

GIFTING

Everyone is entitled to a £3,000 annual gift allowance, without the gift being subject to Inheritance Tax. The allowance can be carried forward for one year. You are also able to make ad hoc gifts of up to £250 to as many people as you wish as long as they have not been the recipient of your annual allowance.

Gifts made out of surplus income are exempt from Inheritance Tax. This means that the gift must be part of your normal expenditure and out of your after-tax income.

The Nil Rate Band (NRB) is the amount up to which an estate has no Inheritance Tax to pay and is currently set at £325,000. Assets from your estate up to this value can be gifted without creating an Inheritance Tax bill.

In addition to the standard nil rate band, there is the Residence Nil Rate Band (RNRB) of £175,000. To benefit from this additional amount, the family home must pass to direct descendants.

To be entitled to the full amount of RNRB you need to keep the value of your overall estate below £2M.

If gifts have been made in excess of a nil rate band, they may receive taper relief after three years, which will reduce the tax to be paid, and will be tax exempt after seven years.

