

Inheritance Tax Changes

Overview

If you own a property worth up to £1m you may be able to leave it to children or grandchildren (or other “connected person” completely free of inheritance tax from April 2020.

This means that married couples and civil partners may be able to pass on assets worth up to £1m, including a family home, without paying any IHT at all.

Thousands of home owners have seen the value of their properties soar in recent years, particularly in London and the south east, thanks to a buoyant property market. This has raised concerns for many about the amount of tax their estate will incur after their death.

What are the rules now?

- IHT is currently levied at a rate of 40% on the value of an estate above the tax-free threshold, which has been frozen at £325,000 per person since 2009.
- Married couples and civil partners are entitled to double the allowance, passing on assets to their children or other relations worth up to £650,000 before a tax charge is triggered.

How will this change?

- The Government will add a “family home allowance”, eventually worth £175,000 per person, to the existing £325,000 tax free allowance from April 6, 2017.
- This will be worth £100,000 in 2017-18, £125,000 in 2018-19, £150,000 in 2019-20, and £175,000 in 2020-21. This will allow individuals to pass on assets worth up to £500,000, including a family home, without paying any IHT at all. For married couples and civil partners, the total is £1m.
- This additional allowance will be gradually withdrawn for estates worth more than £2m.

- The Conservatives first mooted its plan to raise the IHT threshold in 2007 and it was included in its 2010 manifesto. However the Liberal Democrats quashed any change to IHT during the Coalition government.

What if I downsize my home?

- Anyone who wants to downsize to a smaller property will be eligible for an “inheritance tax credit” so that even if they sell an expensive property they will still qualify for the new threshold providing the bulk of the estate is left to direct descendants.
- This is an attempt to encourage pensioners to free up larger properties for growing families.

How much will I pay?

- How these changes will affect you, depends upon the size of your assets.

Single Person

Value of family home	Value of other assets	Value of the estate	IHT liability 2016	IHT liability from April 2020
£150,000	£150,000	£300,000	Nil	Nil
£200,000	£300,000	£500,000	£70,000	Nil
£250,000	£400,000	£650,000	£130,000	£60,000
£400,000	£600,000	£1m	£270,000	£200,000
£750,000	£750,000	£1.5m	£470,000	£400,000
£1m	£1m	£2m	£670,000	£600,000

Cont

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Married couple

Value of family home	Value of other assets	Value of the estate	IHT liability 2016	IHT liability from April 2020
£150,000	£150,000	£300,000	Nil	Nil
£200,000	£300,000	£500,000	Nil	Nil
£250,000	£400,000	£650,000	Nil	Nil
£400,000	£600,000	£1m	£140,000	Nil
£750,000	£750,000	£1.5m	£340,000	£200,000
£1m	£1m	£2m	£540,000	£400,000



The tax treatment depends on the individual circumstances of each client and may be subject to change in the future

Please contact us

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In conclusion

AV Trinity are experienced, independent financial advisers with a wealth of experience in working with clients and their solicitors in order to help structure their estate planning in accordance with their wishes.

An initial meeting with one of our advisers will be at our cost and will establish if there is anything we can do to improve your estate planning situation.

We would love to welcome you here for a coffee and a chat about AV Trinity so just get in touch.



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All information has been prepared with care to ensure accuracy and is based upon our understanding of legislation and HMRC practice, which can be subject to change. This is intended to provide information only and should not be considered as advice.