

CASE STUDY

Stellar talks tax



Leaving specific gifts

For investment professionals only

Leaving specific gifts

The Inheritance Tax Act 1984 has some clear rules about specific reliefs?

In particular if:

- ★ Your estate includes assets that qualify for Business Relief (BR) or Agricultural Property Relief (APR)
- ★ You are planning to leave gifts to people who don't have to pay inheritance tax (like your spouse or a charity)
- ★ You are thinking of leaving your BR or APR qualifying assets as part of what's left over in your estate (the 'residue')

If you own assets that qualify for BR or APR, and you are either leaving something to your spouse or to a charity in your will, it is worth thinking carefully about how you pass these on. Why? Leaving qualifying assets as part of the residue of an estate that's partially exempt from inheritance tax could lead to a higher tax bill than you might expect.



If you want to make gifts to exempt beneficiaries in your will, the simplest way to avoid any complications might be to make a specific gift of your BR or APR-qualifying assets.

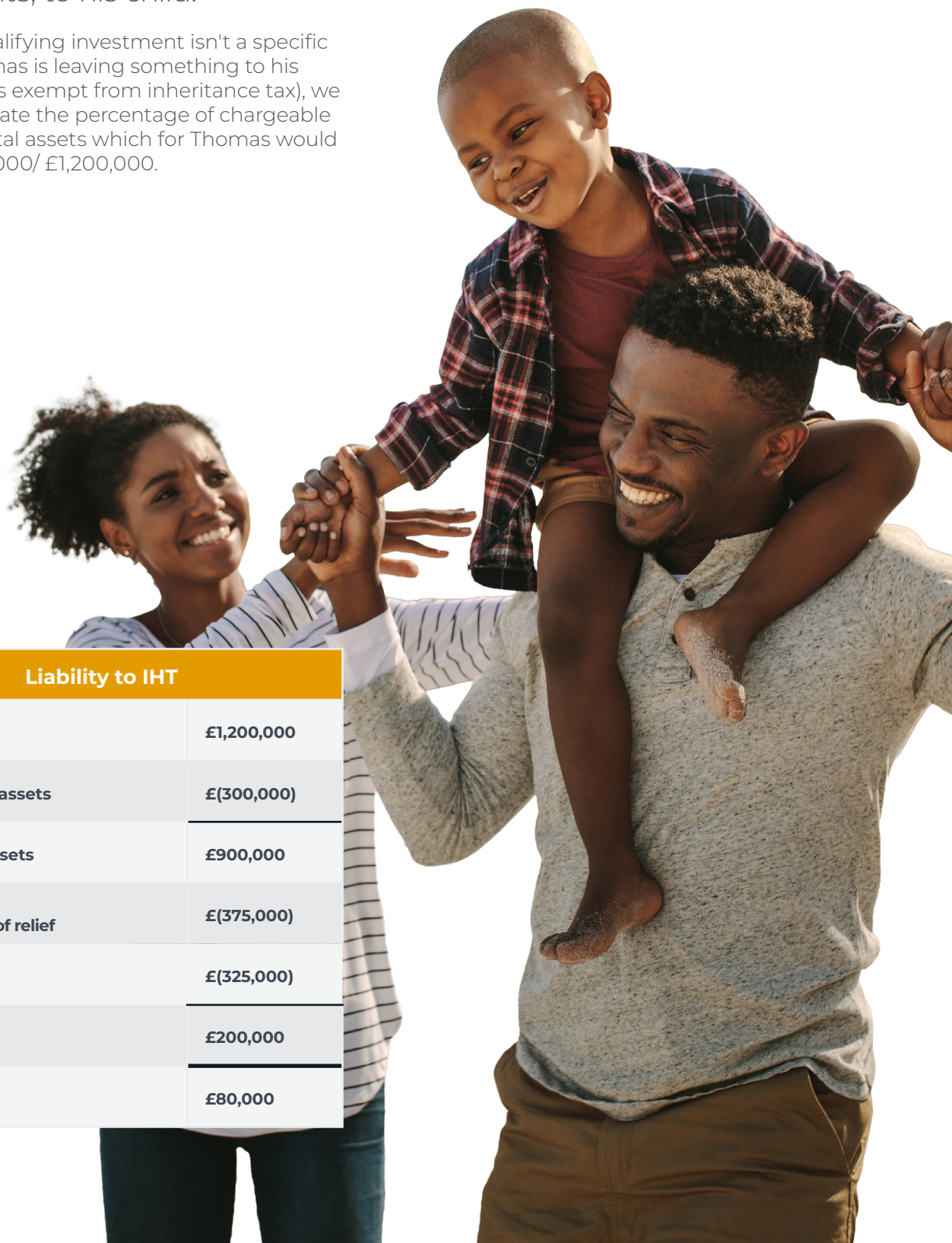
Case Study

Thomas has a house worth £1 million, owned equally with his wife Sophie. He also has £300,000 of BR qualifying assets and £400,000 of cash and other assets.

Leaving specific exempt gifts, with BR qualifying assets in the residue

Thomas wants to leave the house to his spouse and the rest of his assets, including his BR-qualifying investments, to his child.

As the BR-qualifying investment isn't a specific gift, and Thomas is leaving something to his spouse (who is exempt from inheritance tax), we need to calculate the percentage of chargeable assets over total assets which for Thomas would be 75% £900,000/ £1,200,000.



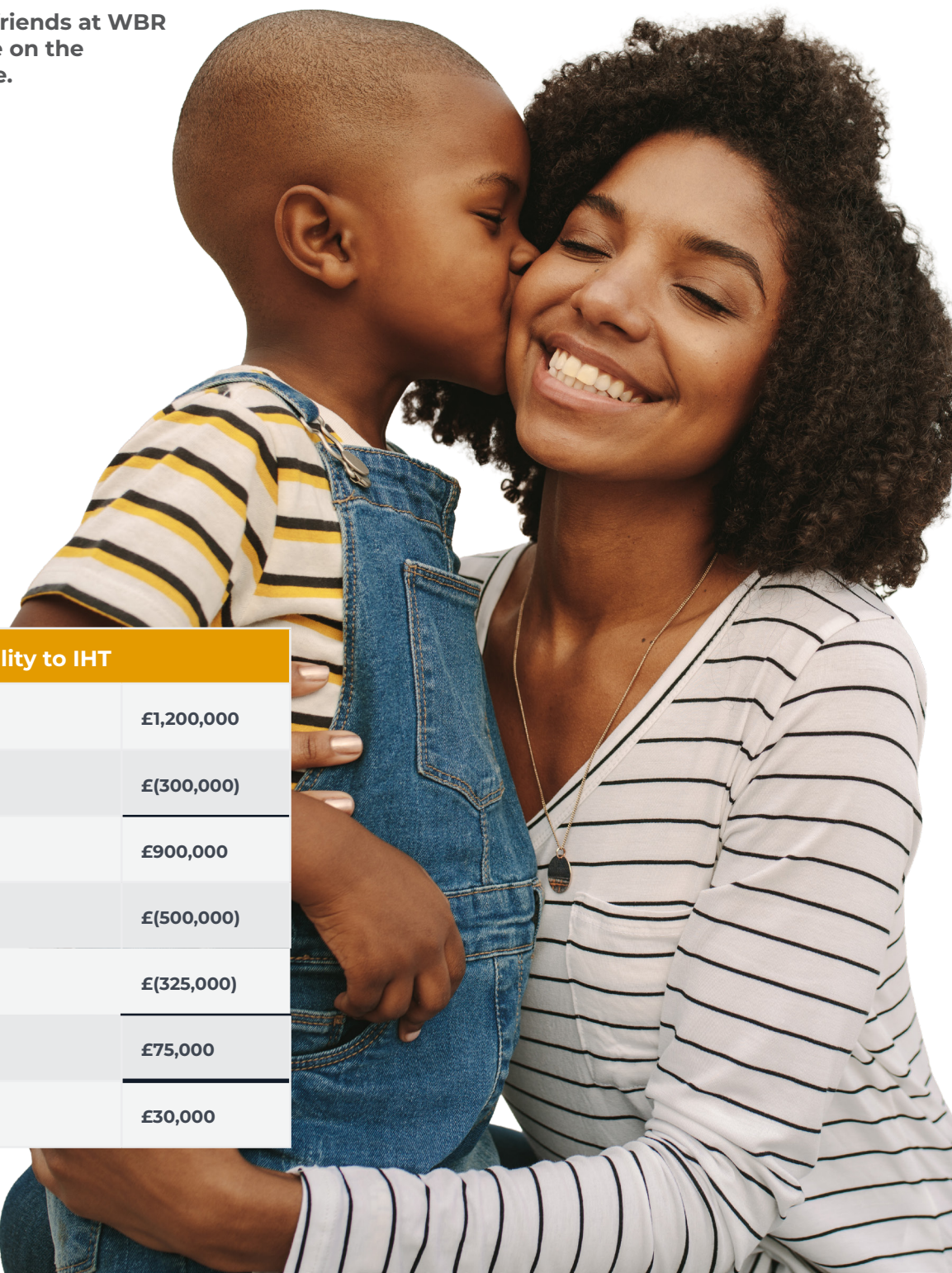
Liability to IHT	
Total estate	£1,200,000
BR qualifying assets	£(300,000)
Chargeable assets	£900,000
Gift to spouse £500,000 75% of relief	£(375,000)
Nil rate band	£(325,000)
Taxable estate	£200,000
IHT payable	£80,000

Leaving BR qualifying assets as a specific gift

What if Thomas left his share of the house to Sophie, but also specifically name his BR-qualifying investment as a gift to his child?

IHT planning can be complicated but with advice it doesn't need to be.

With thanks to our friends at WBR Group for the advice on the contents of this note.



Liability to IHT	
Total estate	£1,200,000
BR qualifying assets	£(300,000)
Chargeable assets	£900,000
Gift to spouse	£(500,000)
Nil rate band	£(325,000)
Taxable estate	£75,000
IHT payable	£30,000

Get in touch

We're here to help

Investors

We recommend you speak to a Financial Adviser in the first instance, as we cannot offer investment or tax advice.

If you have any other questions please contact us on 020 3195 3500 or email us at enquiries@stellar-am.com

For further information, please visit www.stellar-am.com

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