

## **Inheritance Tax – The Government Tax Growth Area**

There is nothing certain in life – other than death and taxes. So how ironic it is that one is leading to the other more regularly than ever before.

When a person dies, their estate is passed on to their beneficiaries in accordance with the wishes of the deceased person, normally outlined in a will. The value of the estate is the total of the persons assets including property, held anywhere in the world, if they are UK residents. Under the current legislation, this is distributed in accordance with the most recent will.

If the value is below £242,000, the whole of the estate can be distributed without the payment of taxes. This is the amount that is in the “Nil Rate” band and is currently exempt from taxes. Above this level, tax is applied at 40%. Due to the recent rise in property values, more and more people are falling into this higher bracket.

Therefore, somebody with an estate of £252,000 will leave a tax liability of  $40\% \times £10,000 = £4,000$ . Somebody leaving £342,000 will leave a liability of £40,000!

This is a lot of money to be paying out for something that is avoidable with a little bit of planning.

So what can you do?

Giving it all away is always a popular choice with the beneficiaries! However, this is not often practical since most people need money whilst they are still alive.

One gift of up to £3,000 can be made each year tax free in addition to an unlimited amount of £250 gifts. Amounts above this level fall into the description of “Potentially Exempt Transfers”. These remain counted as part of the estate on a reducing basis over 7 years until they can be counted as having been taken out of the estate.

Another way of reducing the tax liability is charitable gifts. These are unlimited and since charitable status has been bestowed upon political parties, these could be very useful in getting friendly legislation passed!



For assistance in this matter, you should contact an Independent Financial Adviser in order to help reduce your future tax liability.

### **The Catt's Choice**

I have found that this taxing issue can be alleviated with a little painless forethought and planning. One product that springs readily to mind in this respect is the Estate Planning Bond offered by Axa Sun Life.

This enables money to be placed into trust for beneficiaries whilst the donor can still receive an income from the fund in their lifetime.

Due to the nature of this plan, depending on the age of the applicant and how much income is being taken, a certain amount of the money placed into the fund is counted as having left the estate, the remaining element of the fund is a potentially exempt transfer with the taxable element reducing to zero over 7 years.