



INVESTMENT QUORUM

UNIQUE, BOUTIQUE WEALTH MANAGEMENT

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Wealth preservation

Minimising the impact of Inheritance Tax on your estate

The latest Inheritance Tax (IHT) statistics show an additional 4% was added to HM Revenue & Customs' receipts compared to the previous year^[1]. IHT is a tax payable when you die. Whether your beneficiaries have to pay it, and how much they'll pay, is based on the value of your estate.

Your estate's value is the value of the whole entirety of your assets. An asset is anything of value that is owned, for example: money, property, investments, businesses, possessions, payouts from life assurance not written under an appropriate trust, as well as any gifts made within seven years of your death. IHT is currently applied to estates worth more than £325,000, and will remain at this level until April 2026.

SURVIVING SPOUSE

When the value of your estate exceeds this limit, known as the 'nil-rate band', everything over the threshold is taxed at 40% (unless you're leaving it to your surviving spouse, in which case no IHT needs to be paid).

For the 2021/22 tax year, there is also a 'residence nil-rate band' currently worth £175,000. If applicable to your particular situation, this is added to your nil-rate band of £325,000 – so your estate could be worth up to £500,000 before any IHT is payable.

EMOTIONAL TIMES

This increased tax take suggests that the Chancellor's freeze on the nil-rate band and residence nil-rate band at the last Budget is beginning to have the desired effect. It is achieving the 'fiscal drag' it set out to do, particularly given that asset prices have soared following the depths of the pandemic and could continue to do so given inflation is on the up.

As a result, many more people could end up having to pay IHT without realising they would fall into the tax charge. It is vitally important people

start to have conversations with loved ones to fully understand an estate and the value of it. While it isn't always the most pleasant conversation, it is better to have it now than during more emotional times such as following a death.

COMPLICATED TAX

With the government looking for ways to plug the holes in the public finances created by the pandemic, IHT will always be in focus. IHT is a complicated tax and one that requires a necessary level of knowledge to ensure you're planning in the most tax-efficient way.

So IHT planning should be considered but it's important not to plan in isolation – it should be part of an overall strategy that encompasses your lifetime financial goals and assets, even though constituent parts may be executed separately and at different times. ■

PASSING ON YOUR WEALTH TO THE NEXT GENERATION

You have worked hard to build your wealth – we will help you pass it on to the next generation securely and efficiently. If you'd like to find out more or to discuss your situation, please get in touch with us today – we look forward to hearing from you.

Source data:

[1] National Statistics Inheritance Tax statistics: commentary from HM Revenue & Customs updated 29 July 2021.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE. THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

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