

# **Introduction to Inheritance Tax planning**

Planning ahead for when you die allows you to set out clearly who should get what from your estate. It also means you can maximise Inheritance Tax reliefs and exemptions if your estate might be worth more than the Inheritance Tax threshold when you die (£325,000 in 2009-10).

## **The importance of making a will**

Making a will and being sure people know where to find it is the first step to ensuring that your estate is shared out exactly as you want it to be when you die.

If you don't leave a will, your estate will be shared out among your next of kin according to a strict order of priority called the 'rules of intestacy'. This means that people you want to benefit from your estate - such as a partner you're not married to or in a registered civil partnership with - might get nothing. The rules are different in Scotland.

You can write your will yourself or purchase a pre-printed form from many stationers or newsagents. It's very important to sign your will and get the signature witnessed or it won't be valid.

If you have more complex financial affairs, you may need legal and financial advice.

## **Inheritance Tax exemptions - what you can give away**

Gifts are treated in a number of ways for Inheritance Tax purposes. However, you only need to worry about making gifts if you think your estate - including the value of any gifts you make - might exceed the Inheritance Tax threshold when you die. If your estate is over the threshold, any gifts you make more than seven years before you die will be exempt from Inheritance Tax.

### **Giving your home away**

There can be tax implications if you give your home away to your children or someone else - especially while you're still alive.

If you give your home away and continue to live in it, your estate or the person you gave your home to might still have to pay Inheritance Tax on the property when you die, as well as other taxes.

### **Inheritance Tax relief for businesses and farms**

Certain types of property can be passed on free from Inheritance Tax - or at a discounted value for Inheritance Tax purposes. This can be done while you're still alive or through your will.

You may be able to claim special relief for the following assets:

- business assets - such as shares in a business partnership, family company shares, land, buildings and machinery

- agricultural property - such as land, working farmhouses, farm workers' cottages and barns
- woodland timber
- National Heritage property - or famous and important works of art (but only in very rare cases)

## **Trusts**

### **More help?**

You can use a trust to pass assets on to others, for example to those who aren't immediately able to look after their own affairs, such as your children.

Gifts into a trust may still be subject to Inheritance Tax if your estate, including the amount being transferred, is over the Inheritance Tax threshold (£325,000 in 2009-10).

Trusts can be complicated - it's a good idea to get professional advice.