Inheritance tax planning

Inheritance tax (IHT) can have a significant impact on wealth. At Sanlam, we find the most efficient ways to protect and pass it on for future generations.

Passing on your wealth

Inheritance tax (IHT) can have a significant impact on everyone involved. At Sanlam we understand the desire to protect the wealth you have worked hard to build by finding the most efficient ways to pass it on for future generations to benefit.

When someone dies, their estate is liable to 40% IHT on the total value of assets over the current threshold of £325,000. That includes property, businesses, cash and investments as well as any life insurance policies. Yet by putting in place a carefully considered plan, it is possible to reduce your liabilities.

Where there's a will

The starting point for all estate planning should be to check that you have an up-to-date will – and continue to review it regularly to make sure it reflects any change in your situation. As well as avoiding the confusion for your family that can arise when a will is not in place, a will can help to ensure your financial assets are passed on according to your wishes.

Working in partnership with your lawyer, our financial planners and investment managers can recommend ways to structure your assets in order to protect your wealth for many years to come. There are many options available depending on your circumstances:

Your home

There is no IHT liability if you pass on a home to your spouse or civil partner when you die. However, if you leave your home to another person in your will, it will be included in the value of your estate.

Combining allowances

You can combine your IHT allowance with that of your surviving spouse or civil partner to create a total of as much as £850,000 (if you leave your property to your children or grandchildren).

Gifts

Everyone is entitled to an 'annual exemption' allowance for gifts of up to £3,000 each tax year – any unused annual exemption can be carried forward to the next year but is only valid for one year. Other exemptions include wedding or civil ceremony gifts of up to £1,000 per person (£2,500 for a grandchild and £5,000 for a child). This can be combined with other exemptions as gifts to the same person – such as a birthday and wedding gift to a child. However, these gifts will require you to survive for seven years following the date of the gift for it to retain its tax-free wrapper.

Giving to charity

You can reduce your IHT rate to 36%25 by leaving 10%25 of your net estate to a UK registered charity, which could be an art gallery, museum, political party or other charitable organisation.

Living abroad

If you move away from the UK, your estate may still be required to pay IHT if you are not considered non-UK domiciled for more than three years. If you are not UK-domiciled then only the total value of your UK-based assets will be liable for IHT.

The rules surrounding IHT are changing all the time, and there are many issues to consider for any potential solution. We recommend seeking support and advice from a professional tax adviser as well as our financial planning team who understand the issues and complexities involved.