

ESTATE & TAX PLANNING

January 2020



Review your Inheritance Tax situation in 2020

Inheritance Tax (IHT) can be a nasty surprise during the administration of a Will. New Year is the ideal time to check that you've done all you can to minimise the burden.

Increasing property prices has had the effect of increasing the amount of Inheritance Tax many people are paying. There are ways of reducing the amount due if you plan in advance.

The IHT threshold

IHT is payable at the rate of 40% of the value of an estate above £325,000, for example on a £400,000 estate, IHT is 40% of £75,000, ie. £30,000. The person who is appointed as executor or administrator of a Will is responsible for valuing the deceased's estate and calculating the amount of IHT due, then making payment within six months of the date of death to HM Revenue & Customs.

IHT is not payable on money left to a spouse or civil partner or to charity. When the remaining spouse or civil partner dies, the unused IHT allowance of £325,000 is added to their allowance. If some of the allowance has been used, then only the remaining balance is passed on.

Leaving property to a family member

If you leave your primary residence to your children or grandchildren, to include step-children, then a 'main residence nil-rate band' is applied. This is £150,000 per person for the tax year 2019-20, rising to £175,000 as from April 2020.

This means that where your main home is gifted to your children or step-children, the total IHT allowance rises to £475,000. Any unused portion of this allowance can be passed on to a spouse or civil partner, meaning they could potentially pass on assets valued at £950,000 free of IHT, rising to £1m in April 2020.

Giving gifts

Some gifts given during your lifetime may also have the effect of reducing the amount of IHT payable. The sum of £3,000 can be given in any tax year and any unused portion of this can be carried forward to the following tax year, although not beyond a single year.

In addition, gifts of up to £250 can be given to anyone and wedding gifts can be given to children in the sum of £5,000, grandchildren of £2,500 or others of £1,000.

Larger gifts are known as potentially exempt transfers and when someone dies within seven years of making them, IHT is payable on a sliding scale.

Setting up a trust

It is possible to leave assets to your loved ones via a trust to reduce IHT payable. Professional advice should be sought to ensure your beneficiaries receive what you want them to have and that your assets are adequately protected by the trust.

Can anyone see the contents of a Will?

When someone dies, often loved ones would like to see the document that they have left outlining their wishes and stating who is to benefit from their estate. We look at who is entitled to see the contents of a Will.

Immediately following a death, the only people initially entitled to read the Will are those who have been appointed as executors under its terms.

If the document is held by a firm of accountants, solicitors, or a bank, they will be able to let you know who the executors are and will also let you know if there is anything in the Will or in an accompanying letter regarding the deceased's funeral wishes.

The executors are responsible for the winding-up of the estate, to include listing all of the deceased's assets, obtaining valuations of them, selling assets, which may include property, accounting for any tax liabilities, preparing estate accounts and distributing the estate to the beneficiaries named in the Will.

They should also contact all of the beneficiaries and advise them of the date of the deceased's death, the names of the executors and what they are to inherit.

Who is entitled to see the Will?

Small estates do not need a Grant of Probate, and in that case, the Will does not have to be shown to anyone other than the executors.

If all of the executors agree, then it is possible to show the Will to another party.

Where a Grant of Probate is needed, then once this has been issued by the Probate Registry anyone can apply for a copy of the Will.

If Probate is not required, then you can make a formal request to the executors to see the Will. If they refuse to provide a copy and you suspect that you may be named as a beneficiary, you may wish to take legal advice as to how to proceed. The executors might then be compelled to apply for a Grant of Probate, making the Will a matter of public record.

Appointing an executor

The role of executor is an important one, not just in respect of the fairly onerous tasks involved in winding-up the estate, but also in the care and consideration provided to the deceased's beneficiaries.

You should take this into account when choosing who to appoint. Carrying out the administration can be lengthy and time-consuming and there is personal liability for dealing correctly with the estate and accurately accounting for tax and estate funds.

If you do not have anyone willing or able to take on the role, you can consider appointing a professional executor. This would usually be a solicitor who is experienced in the administration of estates and who could prepare the necessary accounts and distribute the funds to the named beneficiaries.

If you would like to discuss your Estate & Tax Planning, call David on 020 8670 0917 or email him at: david@marcus-bishop-associates.co.uk.