KICC The Open Door

CBN Newsletter

Doing Business God’s Way

July 2021

CBN

Vision
A business network promoting successful establishment of businesses and influencing businesses to operate with Integrity

Mission
Doing Business God's Way

Values
The acronym for our values is MAP IT

- **M**utual Respect
- **A**ccountability
- **P**rofessionalism
- **I**ntegrity
- **T**ransparency.

EDITORIAL COMMENTS

I am delighted to welcome you to this edition of our Newsletter.
The aim of the Newsletter is to provide useful information for you and create awareness of the Network.
We currently meet virtually on the third Saturday of the month. Please join us…..

In this and the next few editions of our Newsletter we will be considering some key issues we need to be aware of as we come out of the lockdown.

We are starting with Inheritance Tax Planning in this edition .

Please feel free to contact us or leave any comments for us at
CBN@kicctheopendoor.org.uk

Enjoy…...

COMING OUT OF THE LOCKDOWN – STRATEGIES FOR THE FUTURE

INHERITANCE TAX AND PLANNING

Introduction

It is interesting to see how well the UK property market has performed over the last year in spite of the pandemic (Annex 1). The implication of this is that there are now greater potential gains on our assets and consequently higher capital gains tax (if you sell) or inheritance tax if you pass on your estate to your loved ones.

The focus of this article is to shed more light on the Inheritance tax conundrum.
Inheritance tax (IHT) is a tax levied at 40% on an individual's assets that exceed the nil rate band of £325k on their death.
Inheritance Tax is a tax on the estate (the property, money and possessions) of someone who's died.

There's normally no Inheritance Tax to pay if either:

- the value of the estate is below the £325,000 threshold; or
- you leave everything above the £325,000 threshold to your spouse, civil partner, a charity or a community amateur sports club

If the estate's value is below the threshold, you'll still need to report it to HMRC.If you give away your home to your children (including adopted, foster or stepchildren) or grandchildren your threshold can increase to £500,000 (if the value of your estate is less than £2m).

If you're married or in a civil partnership and your estate is worth less than your threshold, any unused threshold can be added to your partner's threshold when you die. This means their threshold can be as much as £1 million.

Who pays IHT

Anyone who is domiciled in the UK will face IHT on their worldwide assets when they die. The concept of domicile and residence are quite different; you can be domiciled in the UK even if you are not resident.

You are considered to be resident in the UK for tax purposes if you spend more than 182 days in the country in any one tax year or an average of more than 90 days a year over a four-year period. However, you cannot escape IHT simply by spending fewer than the requisite number of days in the country. You must also be considered non-domiciled in the UK. You are generally considered to be domiciled in the country where your father was born, assuming you still have a strong attachment to it. It is very difficult to revoke your country of domicile, you must cut all ties with the UK, including selling any assets and giving up your passport.

Even if you cut all your ties with the UK, you will be deemed to be domiciled in the UK for three years after you cease to be a resident.

Please note that if you retire abroad you could end up with a tax liability in the foreign country as well as in the UK.

What other taxes do my heirs have to pay on their inheritance?

Your estate is only distributed after debts (if any) and Inheritance Tax (IHT) are paid.

Depending on what they inherit, your heirs might also incur:

- Income Tax - if what they inherit produces a regular income (e.g. share dividends or rent from a property); and or
- Capital Gains Tax - if they sell their inheritance (e.g. property) for more money than what it was worth when you died. How much they have to pay depends on whether they pay Income Tax at the basic or higher rate.

How can I reduce the amount of tax paid?

Trying to reduce how much IHT is due on an estate is complicated. But, in short, you can reduce how much tax is paid by:

- Leaving a legacy to charity
- Making a will
- Putting your assets into a trust for your heirs
- Leaving your estate to your spouse or civil partner
- Paying into a pension instead of a savings account
- Using a life assurance policy
- Regularly giving away up to £3,000 a year in gifts

In Conclusion

Inheritance tax used to be a levy that only hit the very wealthy, this is no longer the case as the rapid rise in house prices has pushed more people into the Inheritance tax (IHT) trap.

Most people would prefer their hard-earned assets to pass to their families rather than the taxman when they die, this is why it is important for you to think about your options and act sooner rather than later. This will ensure your heirs are not subject to a hefty bil on your death. However, it is important that you do not let the desire to beat the taxman override other considerations. Do not give your money away, or embark on complicated tax-saving strategies, if it will leave you short of cash.

If you need help, please speak to a professional, remember we are **Doing Business God’s Way**.

Annex 1
Average Price By Property Type For England

Property type	November 2020	November 2019	Difference %
Detached	£409,644	£377,293	8.6
Semi-detached	£251,846	£234,008	7.6
Terraced	£217,744	£201,028	8.3
Flat/maisonette	£233,614	£222,243	5.1
All	£266,742	£247,867	7.6