



Inheritance Tax



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Inheritance

“a thing that is inherited”

“money or objects that someone gives you when you die”

Tax

“impose a tax on (someone or something)”

“a compulsory contribution to state revenue, levied by the government on workers’ income and business profits, or added to the cost of some goods, services, and transactions...”



Figures

- Inheritance Tax (IHT) charged at a rate of 40% (generally) over the allowances and Reliefs available
- Nil Rate Band £325,000 (set to remain the same until 2030)
- Residential Nil Rate Band £175,000 (frozen until April 2030)
- Reduced by £1 for every £2 over £2m – direct descendants – downsizing provisions

Broadly speaking:

Assets at the date of death less liabilities at the date of death

IHT to be paid within 6 months from the end of the month of death

Property - equity
Land - equity
Cash, Savings and Investments
Debts
Life insurance Death Benefits
Pension Death Benefits
Business Assets
Gifts in last 7 years

Reliefs

Spousal Exemption
Nil Rate Band (NRB)
Residence Nil Rate Band (RNRB)
Transferable NRB and RNRB
Business Relief (BR)
Agricultural Relief (AR)
Taper Relief
Personal Allowance (£3,000)
Wedding / Civil Partnership Gifts
Small Gifts (£250)
Normal Expenditure out of income
Charitable legacies
National Heritage Relief

Cohabitees / Partners no relief

Maximum of £1 million NRB and RNRB for Spouses / Civil Partners if estate below £2 million

Budget October 2024 –
£1 million combined BR and AR at 100% on qualifying assets
50% relief on excess (20% IHT)

If gift over £325,000 and survive for 3 years % reduction

£5,000 Child / £2,500 Grandchild or great grandchild / £1,000 other

Regular payments with evidence

Free of IHT / 10% reduce rate to 36%

Asset in exchange for IHT

Business Relief

S105 Inheritance Tax Act (IHTA) 1984 – Relevant business property

Ownership Period – 2 Years	
A Business or an interest in a business (up to £1m with Agricultural Relief (AR) from 6 April 2026)	100%
Excess of (combined BR and AR) £1m from 6 April 2026	50%
Unquoted shares, including shares listed on AIM (50% from 6 April 2026)	100%
Unquoted securities which on their own or combined with other unquoted shares or securities give control of an unquoted company (50% from 6 April 2026)	100%
Quoted shares which give control of the company	50%
Land or buildings, machinery or plant used wholly or mainly for the purposes of the business carried on by a company or partnership	50%
Land or buildings, machinery or plant available under a life interest and used in a business carried on by the beneficiary	50%

- Owner Managed, business – Partnership or Company
- Shares in an unlisted trading Company
- Listed company
- Land buildings or machinery used in business (held personally) or by Company if Company had control

Covers development value

Mortgage (net value)

Consider BR Portfolio

Non-qualifying business

- > Not carried on for gain – not for profit / not on a commercial basis
- > Subject to a contract for sale or being wound up (generally subject to exceptions)
- > Mainly deals with securities, stocks or shares, land or buildings or in making or holding investments

Excepted Assets

- > Not being used wholly/mainly for business purposes throughout 2 years before transfer on death or in lifetime;
- > Not required for future use in the business; (cash) – Potential loss of all Business Relief

Qualifying Businesses

Regarded as Trading

Farming, Woodland Management, Sporting, shooting and fishing



Non-qualifying business

Investment income only

Property letting business

Property dealing business

Serviced office business



Borderline

Depends on the nature of services provided

Holiday business

Property development

Various other land related activities





Agricultural Relief

Agricultural value only (not full market value) less mortgage / other secured loans

6 April 2026 - £1m combined with BR at 100% excess 50% relief

Planning permission or hope value

Difference between the agricultural value and market value not covered

Occupied for the purposes of agriculture

Land farmed “In hand” -100% relief providing owned for at least 2 years

(contract and share farming included, possibly also grazing licences but HMRC will look at as to what is being done on the ground i.e. if acts more like a tenant relief maybe rejected) owned by them, a company controlled by them or spouse or civil partner

Land let and owned for at least 7 years will qualify

100% for Farm Business Tenancies granted since 1995.

50% for Agricultural Holding Act 1986 tenancies with rights of succession

Farmhouse and farm worker’s cottage

must be occupied by the active farmer and/or farm workers, so a property owned and occupied by owner of let agricultural land doesn’t qualify

Character Appropriate test

Nature and size appropriate to the farming activity taking place

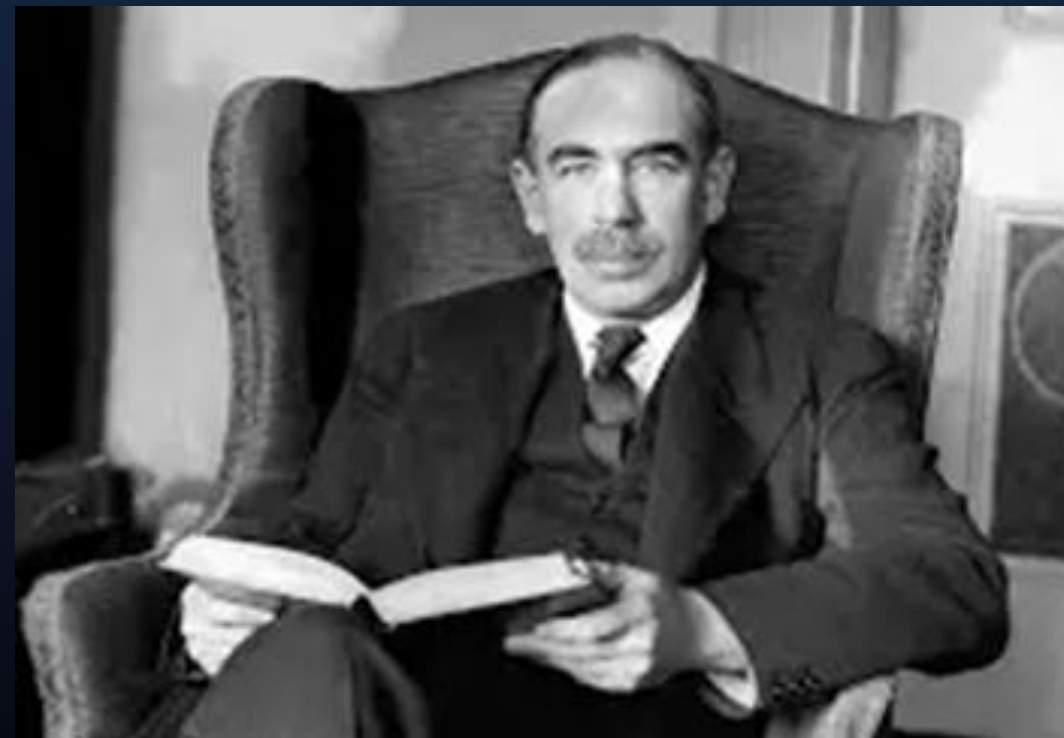
Estate Review

- **Make / update your Will**
Maximise allowances on death of first spouse / Civil Partner
- **Lasting Power of Attorney**
Sale / disposal / Statutory gift application
- **Gifts**
- **Trusts**
- **Business Relief Portfolio**
- **Family Investment Company**
- **Business Structure**
Shareholder Agreement / Partnership Agreement
- **Pensions / Life Insurance Policies**
Death benefits – April 2027
- **Capital Gains Tax**



**“The avoidance of taxes is the only intellectual pursuit that carries
any reward.”**

John Maynard Keynes





Any Questions?

With a transparent, proactive, and efficient approach, we take the time to understand your individual circumstances and pride ourselves on outstanding levels of service.



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