



UNDERSTANDING
INHERITANCE
TAX

JACKSON
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A REAL ASSET

INHERITANCE TAX

IS YOUR FAMILY EXPOSED?

Is your family exposed to unnecessary Inheritance Tax (IHT)? It's called a 'voluntary tax' but you volunteer for it when you don't take planning advice!

All of us have a £325,000 "Nil Rate Band" for Inheritance Tax purposes, an amount of value in our Estate which is not subject to tax on our death (or upon chargeable lifetime transfers).

As a result of the standstill in this Nil Rate Band more and more UK domiciled individuals fall into the IHT net – something which the Government no doubt wants to help make some small impression on the huge public sector debt.

Well-advised individuals do not need to be unduly exposed to this tax on death and we can help you to start planning to achieve that objective while still meeting your own financial needs for the rest of your lives.

Taxpayers are often slow to begin to consider the tax consequences of death but this can limit the options available to mitigate the exposure substantially. It is also fair to say that taxpayers do not fully appreciate the range of planning manoeuvres open to them, unless and until they come to see us. Starting early, and using some or all of the various means of mitigation can be powerful in planning to remove this "tax on death".

By way of illustration, consider just some aspects which form an important part of our typical IHT planning process:

• ADEQUACY OF INCOME AND CAPITAL

It is essential that taxpayers exposed to IHT are firstly concerned to ensure that they have adequacy of income on which to live for the rest of their lives;

• REGULAR GIVING OUT OF INCOME

Too few taxpayers take advantage of the 100% IHT exemption for regular giving out of income, something which can both reduce IHT exposure for the taxpayer and, at the same time, provide a source of income-generating value for the recipients;

• USING THE SEVEN YEAR CLOCKS

Most taxpayers are aware that gifts of capital will not generally give rise to IHT liabilities if the giver survives seven years after the gift. However, much greater use of the seven year clock can be made, particularly with the adoption of trust arrangements which enable the giver to retain control over the use of the assets involved;

• BUSINESS PROPERTY

Assets which qualify for relief from IHT as "Business Property" can be ideal insofar as they might typically yield strong income to maintain the taxpayer's lifestyle while not posing any IHT exposure for the family. There are investments and arrangements available to wealthy taxpayers which can be used to convert exposed assets (such as cash) into "Business Property" for IHT planning purposes;

• USE OF TRUSTS

Trusts remain effective vehicles for managing IHT, both during lifetime and in older age or sickness when longevity of life might be uncertain. For example, trusts can be used to give away capital while retaining control of the assets, to shelter value from assessment for care home fees purposes, or to facilitate a "double dip" relief for Business Property Relief on shares and business assets.

These are just a few items of IHT planning out of a long list of possible manoeuvres available, outlined to provide a flavour of the things we do to help our clients and their families retain as much of their lifetime wealth as they possibly can.

Contact us for more innovative tax solution booklets:

- Company Structures
- Private Residences
- Profit Extraction
- Succession Planning
- Unincorporated Businesses
- Trusts
- Key Staff Incentives
- Funding Educational Costs



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