

Year End Tax Planning Guide - Inheritance Tax

The purpose of this guide is to highlight a number of actions that should be taken either to ensure tax efficiency for individuals in the current tax year or the next and with potential benefit in subsequent tax years. There is much to gain from carrying out relatively simple steps which can yield tax savings. As ever, such recommendations depend upon the specific circumstances of each case and advice should always be taken before implementing any steps.

INHERITANCE TAX 2015

- Planning here requires careful thought as there are many aspects to consider. However, the end of a tax year is a good time to focus on simple measures that can be taken.
- Simple gifts of cash that are made to individuals will follow the normal 7 year rule. They will have to be reported in IHT returns were death to occur within this seven year period.
- Gifts of assets pregnant with capital gain require greater consideration as tax liabilities will crystallise. A trust may assist in planning here.
- The simple rule that assets pass at market value for CGT purposes on death even between spouses should always be considered in planning. On first death, a surviving spouse is then well placed to donate inherited assets with little or no CGT charge.
- The gift out of income exemption is one that is frequently not taken up. It is possible to give away "surplus income" each year and for the gift to not come within the normal 7 year rule. The procedure needs careful consideration but if implemented over a number of years can prove to be effective.
- EIS shares once held for 2 years should qualify for business property relief thereby excluding value from an Estate. The legislation affords a replacement rule that avoids a 2 year qualifying period if a new qualifying share is acquired following disposal of the old holding. This is useful as and when the original EIS disposal takes place and a new asset is acquired.
- Our experience shows that clients' Wills often become outdated. It is well worth reviewing if many years have now elapsed. Clauses can become outmoded in consequence of legislative change as well as personal circumstances.