

# UK Inheritance Tax (IHT) on Lifetime Gifts

## Is Inheritance Tax Payable on lifetime gifts?

Inheritance tax is charged on the 'value transferred by a chargeable transfer.' We measure the value transferred using the 'loss to donor' principle looking at the property held before the transfer and comparing that with the property held after the transfer.

Certain transfers are ignored for IHT eg :

- Maintenance of family
- Waiver of remuneration
- Waiver of dividends

### There are three types of lifetime transfers for IHT Purposes

#### Chargeable Transfers



Gifts to Trusts are Chargeable Transfers

IHT may be payable



Inheritance Tax is payable on chargeable lifetime transfers.

Tax is charged on transfers in excess of the nil rate band £325,000.

Chargeable Transfers in the seven years before the gift use up all or part of the nil rate band.

Lifetime IHT is payable at 20% It is due the later of; 6 months from the end of month of the gift, and 30 April in the following tax year.

An inheritance tax return(IHT 100) must be submitted within 12 months of the end of the month of transfer.

#### Potentially Exempt Transfers



Gifts to Individuals are Potentially exempt transfers

IHT may be payable



When an individual gifts money to another individual this is a potentially exempt transfer (PET).

This transfer is not immediately chargeable to IHT. It will become chargeable if the donor dies within 7 years of making the gift.

If the donor dies within 3 years of making the gift IHT is payable at 40% (to the extent it exceeds the NRB)

If the donor dies over 3 years and under 7 years of the gift taper relief is available to reduce the IHT due

#### Exempt Transfers



Exempt transfers can be to companies or individuals

No IHT Due



Inheritance Tax is not due Exempt Transfers include

- Gifts to spouses (limited to £325,000 if non domiciled)
- Gifts to UK/EEA Charities
- Gifts to UK Political Parties
- Certain Marriage Gifts
- Small Gifts (up to £250 per person, per year)
- Annual Exemption (£3,000 per year)
- Non UK Assets owned by non Domiciled Individuals