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# HOW MUCH INHERITANCE TAX WOULD YOU NEED TO PAY?

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## Nil Rate Band (NRB)

Currently, each individual is entitled to leave the sum of **£325,000 free from inheritance tax on their death**. This is called your Nil Rate Band (NRB).

Gifts to spouses or civil partners on first death are exempt from inheritance tax.

If you do not have a spouse or civil partner or children, the maximum amount you can leave tax free is £325,000.

If you leave everything to your spouse or civil partner when you die, when they die, they can leave their £325,000 and your unused £325,000 which is automatically transferable between spouses and civil partners. This means they can leave £650,000 tax free on their death.

If you are unmarried but live with a partner, then the NRB is not transferable and anything you leave your partner will not be exempt from inheritance tax if your estate is over £325,000.

## Residence Nil Rate Band (RNRB)

**When passing a residential property to a direct descendant you are entitled to leave a further £175,000 free from inheritance tax.** This may increase in the future.

Again, if you leave everything to your spouse or civil partner on your death, they can on their death leave their £175,000 and your £175,000 which is automatically transferable i.e., a total of £350,000, currently. However, the amount able to be utilised is capped at the value of the residential property. For example, if your residential property is only worth £250,000 then £100,000 of the RNRB will not be able to be used against your estate when calculating inheritance tax.

## Taper threshold for Residence Nil Rate Band:

- A taper is applied to reduce the available RNRB for estates valued at over the taper threshold. This is set at £2 million.
- The RNRB will gradually reduce, or taper away, for an estate worth more than £2 million, even if a home is left to direct descendants.
- The RNRB will reduce by £1 for every £2 that the estate is worth more than the £2 million taper threshold.

**Therefore, an estate of £2,350,000.00 would not benefit from the additional RNRB at all.**

## Lifetime Gifts

The **NRB** can be used up by lifetime gifts made within 7 years prior to death.

If you have made a gift of over **£3,000** a year over the last 7 years and you fail to survive for 7 years after the gift was made, the gift will eat into your available **NRB**.

The longer you survive after making this gift, the lower the inheritance tax will be.

**Gifts to charities and certain other organisations are exempt from inheritance tax.**

**Ask us for further information or advice about inheritance tax during your free initial consultation!**