

Your personal inheritance tax calculation

Dear Owen Clark

Thank you for completing the Independent Women Inheritance Tax (IHT) Calculator.

We have taken the data you have provided, and together with some assumptions, have produced a high-level summary of your potential IHT liability. In addition, we have provided some tax planning considerations to help you manage your potential exposure to IHT.

In this report, we will cover:

- An overview of IHT
- A high level summary of your IHT liability
- An overview of tax allowances on death
- Other tax considerations

Please note - the data within this report is only an estimate and is no substitute for detailed analysis and professional, personalised advice. You should not base any financial or tax planning decisions on this report.

Disclaimer

IHT can be a complicated topic. As such, this calculator is intended as an estimate only and should not be relied upon. To obtain a more detailed and accurate estimate of your IHT liability, please get in touch.

This calculator applies to the 2023/24 year only.

1. What is inheritance tax (IHT)?

Inheritance tax (IHT) is a tax on the estate of someone who has passed away.

The amount which is due depends on the value of the deceased person's estate, and can include cash in the bank, investments, property or business, vehicles, payouts from life insurance policies, minus any debts.

IHT can also be applied during someone's lifetime, for example on the transfer of capital into a trust.

It is sensible to regularly review both your will and your estate to determine whether you can take any actions now or on death to prepare for a potential IHT charge.

In some cases, inheritance tax planning can result in a significant saving, with the result that more of your estate can pass as you intend to your chosen beneficiaries.

2. Overview of the data provided

The table below details the figures which you have provided via the online calculator.

Personal Information

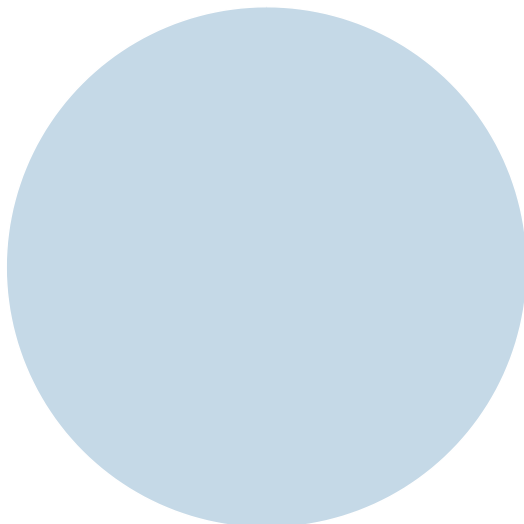
Name: Owen Clark
 Email: owen+testing@ningi.co.uk
 Marital or civil partnership status: Single
 Report basis: Individual
 Main residence left to: Direct descendants

Your home	£123
Personal possessions	£123
Other property	£123
No Label	£123
ISAs	£123
Shares	£123
NS&I and Premium Bonds	£123
Bonds - not written in trust	£123
Estimated other assets total	£123
Mortgages	£123
Other debts	£123
Approximate total pension value	£123
Sum Assured - not in trust	£123
Have you made any gifts in the last 14 years?	Yes
Do you plan to make a gift to charity in your Will?	Yes
Estimate of annual income	£123
Estimate annual expenditure	£123
Value of Estate	£1,230
Total of Liabilities	£246
Net Value of Estate	£984
Available Nil Rate Band	£325,000
Transferable Available Nil Rate Band	£0
Available Main Residence Nil Rate Band (RNRB + Transferable RNRB)	£123
Best Case Taxable Estate	£0
Estimated Best Case Residual Estate	£984
Estimated Worst Case Residual Estate	£590

3. Your results

<p>£984 Net Estate Value</p>		<p>Your estate could be liable to IHT In a worst case scenario, your estate could be liable for up to £393 in IHT</p>	
<p>Estimated Best Case</p>		<p>Estimated Worse Case</p>	
<p>£0 Tax to pay</p>		<p>£393 Tax to pay</p>	
<p>£984 Residual Estate</p>		<p>£590 Residual Estate</p>	

Estimated Best Case



Estimated Worst Case



4. Tax considerations

Planning is vital to ensure that as much of the wealth which you accumulate over your lifetime passes to your intended beneficiaries upon death. On reviewing your current IHT liability, we believe you should consider the following tax strategies.

Nil Rate Band (NRB)

The NRB is the threshold above which IHT is payable. The NRB is currently £325,000 per individual, and it will remain fixed at this amount until April 2026.

Lifetime gifts or certain lifetime transfers can reduce the allowance which is available to you.

Transferable Nil Rate Band (TNRB)

For deaths which occur/occurred on or after 9 October 2007, the unused nil rate band of one spouse/civil partner can be transferred to the other spouse/civil partner for use at the time of their ultimate demise. This is known as 'second death'. To claim this, the executors of the estate of the second spouse must formally claim the unused nil rate band via HMRC. The claim can increase the second death spouse/partner's allowance by up to an additional £325,000.

Residential Nil Rate Band (RNRB)

RNRB is an additional nil rate band that can be applied to the residential property of an estate where the main residence is left to their children or other direct descendants.

The value of residential nil rate band is the lower of:

- the net value interest in the residential property (after deducting liabilities secured on it, such as a mortgage); or
- the maximum amount of the band.

The Residential Nil Rate Band is currently £175,000.

For married couples and civil partners, any unused residential nil rate band can be transferred to the surviving spouse or civil partner if death occurs/occurred after 5 April 2017, regardless of when death occurs of the first spouse/civil partner.

The residential nil rate band is also available when a person downsizes or ceases to own a home on or after 8 July 2015. Assets of an equivalent value, up to the value of the residential nil rate band, are passed on death to direct descendants.

There is a tapered withdrawal of the residential nil rate band for estates with a net value of more than £2 million. This reduces the allowance by £1 for every £2 over this threshold.

If the conditions for RNRB are met, then it is due automatically upon death. However, claims are required for entitlement to a transferred allowance or a downsizing addition.

Transferable Residential Nil Rate Band (TRNRB)

The transferable residential nil rate band does not apply to individuals who have not been married or have not entered into a civil partnership. If there is any unused residential nil rate band in the estate of the first spouse or civil partner of a couple to die, this is available to increase the residential nil rate band available to the survivor's estate when they die. This does not apply automatically – it has to be claimed. A claim is typically required by the deceased's personal representatives within two years ending from the end of the month in which death occurs.

Business Relief (BR)

Business relief reduces the value of a business or its assets when working out how much IHT has to be paid.

Business relief will either be given at a rate of 100% or 50%.

Business relief can be available on:

- Shares in unlisted trading companies
- Shares in a quoted trading company (this will only constitute relevant business property if the donor has voting control of the company)
- Land, buildings or plant and machinery owned by an individual and used either by his partnership (of which he is a partner) or a company (which he controls) and which undertakes an activity that is substantially 'trading' in nature.

If shares are to qualify for business relief, they must be shares in a trading company. Shares in investment companies or property dealing companies will never qualify for business relief.

In addition to the above, various other conditions need to be met to qualify for business relief that we can review for you.

Charitable rate

As an incentive to encourage charitable giving and support philanthropy, where 10% or more of the deceased's net estate has been left to a charity (or a registered community amateur sports club), the taxable estate is charged at a lower rate of IHT of 36%.

The lower rate applies if the total amount left to charity is at least 10% of the "baseline amount" (also called the "10% threshold"). The "baseline amount" is the value of the estate charged to IHT after deducting all available reliefs, exemptions and the available nil rate band, but excluding the charitable legacy itself. If the estate qualifies, the lower rate applies automatically.

It can be beneficial to review your intended gift value to optimise the amount which you can leave to charity and your beneficiaries.

You might have a smaller nil rate band on your death if you make gifts during your lifetime that aren't covered by your tax-free gift allowances, and you die within seven years of making the gifts. The value of these gifts will reduce or eliminate your nil rate band, meaning less of your estate will be passed on tax-free.

Gifts

Also, please note that there can be capital gains tax implications of making lifetime gifts unless the gift is cash.

5. Standard allowances

Gifts out of income

A lifetime gift is exempt if the donor can satisfy HMRC that it constitutes "normal expenditure out of income". "Normal" in this case means habitual or typical – i.e. a gift that happens every year.

The gift will be treated as having been made out of the donor's income if the donor is left with sufficient income to maintain their normal standard of living.

This exemption would apply to life assurance premiums or personal pension premiums paid by an individual in respect of another person, or to regular small gifts of cash as Christmas or birthday presents. It is therefore critical that you keep a record of the gifts that you make.

6. Get in touch

Tax planning is complex, and with ever-changing legislation, it is always important to seek advice from a specialist adviser. For more information and to discuss your situation in more detail, please do not hesitate to contact us. We would be delighted to assist, and offer a complimentary, no-obligation consultation to help you get started.

Phone: +44 (0) 345 548 0030

Email: info@independantwomen.co.uk

About Independent Women

Industry accredited

As part of Mazars, we are proud to hold Chartered Financial Planning status. This award of excellence within our profession demonstrates integrity and commitment to achieving the very highest standards.

You're in good company

- The first national IFA for women
- 360 degree wealth management
- 25 years specialist experience
- Part of Mazars FT Adviser Top 100

Kind words from others

"The team at IW are a wealth of knowledge and incredibly helpful. My adviser has helped me gain a much greater understanding of my finances and helping me work towards my goals in a realistic and encouraging way. I'm very new to this world and her patience with me and my questions is unwavering. I really do feel I have a much better grounding and understanding through our talks and plans for the future. I am a passionate advocate for them"."

"We were delighted to learn that Independent Women recently celebrated their 25th anniversary. A milestone indeed. As a family, we have enjoyed dealing with their team for many years. The consistency of professionalism has been marked and so refreshing to hear regularly from them, through thick and thin! Their service has been first class and we look forward to continuing using the company, now as part of the Mazars Group. Best wishes to all the team and congratulations for 25 years at the top."

"I joined Independent Women a few months ago after my Dad told me his advisor was very good after knowing her for many years. I had no problem joining and am optimistic about the future instead of nervous about my finances now. It is a friendly company that does a great job."

Contact the team.

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