SPENCERGARDNERDICKINS

CHARTERED ACCOUNTANTS & CHARTERED TAX ADVISERS

A Guide to **Inheritance Tax**

Help your family understand the right Inheritance Tax approach before decisions become urgent.

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Inheritance Tax planning

As Inheritance Tax (IHT) affects more estates, families increasingly need to understand how their affairs would be viewed before it is too late to make changes. Our expert tax advisers can help identify the main areas of exposure, explain the reliefs that may be relevant and support families with the steps that may be worth considering.

For many families, IHT does not feel like a practical concern until the figures are put in front of them, as it can be difficult to understand the value of an estate.

Property, investments, pensions and business interests can all increase in value over time, meaning that earlier planning can quickly become out of date.

We often speak to families who have taken sensible steps, such as writing Wills or discussing their wishes, but who still rely on assumptions like:

- My spouse will inherit everything without any tax issues.
- Having a Will in place means the estate is dealt with.
- Our business will automatically qualify for the relief.
- The children can deal with the detail when the time comes.

The difficulty is that these assumptions are often only challenged after death, when there may be little scope to correct them.

This guide looks at the points that commonly cause issues and explains where taking advice can help families protect more of the legacy they intended to leave.

In particular, this guide will allow you to:

- Get a clear, straightforward explanation of how IHT works.
- Spot the areas that are most likely to create unexpected tax liabilities.
- See where allowances and reliefs could potentially apply.
- Understand when specialist tax advice may provide greater certainty.

Why families should **review their IHT position**

Most families look again at IHT when something changes, or when the value of the estate has moved beyond what previous plans allowed for.

Life changes that trigger an IHT review commonly include:

- Holding property that has risen materially in value.
- Owning, operating or having shares in a company.
- Having children from a previous relationship.
- Wishing to give financial help to children.
- Having already made gifts but being unclear on the tax position.
- Having a Will that has not been recently revisited.
- Wanting confidence that their arrangements remain appropriate.

Even simple estates can cause difficulties if ownership, Wills, pensions and beneficiary arrangements have not been reviewed for some time.

It is important to keep a close eye on the value of your estate and ensure that plans are updated to reflect any changes.



What is **Inheritance Tax?**

IHT is charged on the value of a person's estate when they die and can also apply to certain gifts made during their lifetime.

An estate can include:

- Residential or commercial property.
- Cash savings and investment portfolios.
- Interests in a business.
- Pension arrangements and death benefits (from April 2027).
- Payments from life assurance policies.
- High-value personal belongings.
- Some gifts made during lifetime.

The standard rate of IHT is 40 per cent on assets above the available allowances and reliefs, meaning estates of significant value can face a sizeable bill if planning is not kept under review.

The right advice can help families understand the position, avoid preventable exposure and make the process easier for those left to deal with the estate.

Key reliefs and allowances

Reliefs and allowances can change the IHT position, but only where the estate qualifies for them.

These are:

- The Nil Rate Band.
- The Residence Nil Rate Band.
- Exemptions for spouses and civil partners.
- Business Property Relief.
- Agricultural Property Relief.
- Exemptions available for lifetime gifts.
- Reliefs linked to charitable giving.

That means checking the facts carefully and thoroughly rather than assuming a relief will apply simply because it appears relevant at first glance.

Common areas that **cause problems**

Property ownership

Property is often the largest asset a person owns and, for that reason, it is often the starting point for IHT exposure.

The issues that tend to need closer attention include:

- Property owned jointly with someone else.
- Buy-to-let properties, investment properties or second homes.
- Property sitting inside a company structure.
- Family members contributing informally to a purchase.
- Lack of clarity over how property will pass under the Will.

How property is owned and how it passes on death can be just as important as its value.

Outdated Wills

A Will that worked when it was originally written may no longer fully reflect the person's current family position, assets or tax exposure.

A change in circumstances, such as marriage, divorce, births, changes in wealth or tax rules, can mean that an existing Will no longer achieves the intended outcome.

- Family circumstances have changed.
- Tax rules have moved on.
- Business ownership or succession plans have significantly altered over time.
- The overall value of the estate has increased significantly.

That can mean more tax than expected and more uncertainty for the people dealing with the estate.

Lifetime gifts

Lifetime gifting can reduce IHT exposure, but only if the rules are understood and the paperwork supports what has happened.

Problems most often arise where there are:

- Gifts have not been clearly recorded.
- The person making the gift continues to use or benefit from the asset.
- The seven-year rule has been misunderstood.
- Regular gifts from surplus income have not been properly recognised.
- There is uncertainty over whether money was a loan or a gift.
- Children have been treated differently without clear planning.

If gifts are not recorded properly, or the person making the gift continues to benefit from the asset, the expected tax advantage may not be achieved.

For larger gifts, documentation and ownership should be considered to secure the intended tax outcome.

The warning signs your estate may need a thorough review

A review may be helpful where:

- The value of your estate has increased notably in recent years.
- You hold property that is worth more than expected.
- Your Wills have not been updated recently.
- You own a trading business or investment company.
- You have gifted assets or money of significant value.
- You are providing financial support to adult children.
- You have remarried, or your family circumstances are blended.
- Your arrangements feel difficult to untangle.
- You are uncertain what would happen if action were needed immediately.

Pensions and IHT - from April 2027

Pensions have often been used as part of estate planning because unused funds have generally sat outside the estate for IHT purposes.

That position is expected to change from April 2027.

Under the current proposals, most unused pension funds will be included in the estate on death, which would change the way pensions are considered in IHT planning.

If this proceeds as planned:

- Unused pension savings could be brought into the taxable estate.
- Pensions may not automatically remain outside the IHT calculation.
- Beneficiary nominations and Wills are likely to carry greater weight.
- Families could face tax charges they had not anticipated if plans are not revisited.

For some families, that could make pensions one of the largest assets to review aside from property.



Business and company interests

Business Property Relief (BPR) can be valuable, but it should not be treated as though it applies automatically.

Businesses can fall outside the expected position where:

- A business or company has built up substantial investments or surplus cash.
- The nature of the business has shifted over time.
- Property is owned through the business.
- A family investment company is part of the structure.
- There has been little or no planning around succession.

Reviewing the position early can help confirm whether relief is likely to be available and whether any changes are needed before it is relied upon.

Trusts and family structures

Trusts can still have an important role in family planning, but they need to be fully understood and regularly reviewed to ensure that they remain fit for purpose.

Families often need clarity on:

- Whether the trust structure remains aligned with the family's wider financial and succession plans.
- How current tax rules apply to those trusts.
- Whether keeping a trust is still beneficial.
- How trust arrangements sit alongside Wills and business interests.

How our **expert team can support you**

Our support is for people who think IHT may affect their estate and want to understand the position before deciding what further action may be needed. The first challenge is often knowing which issue matters most.

Our tax advisers can give an initial view of the estate, explain the areas that may need further attention and help clients understand the implications of the options available.

How we can help:

- Consider the estate, ownership position and beneficiary arrangements using the details provided.
- Highlight possible IHT exposure and key risk factors.
- Discuss key allowances and reliefs, including the Nil Rate Band, Residence Nil Rate Band, Business Property Relief and Agricultural Property Relief where relevant.
- Outline practical planning routes and explain which options may fit the circumstances best.
- Help with discussions involving family members, Will writers or other advisers where tax guidance is required.

What we'll need from you

We will usually ask for a straightforward summary of assets and liabilities, along with key documents such as Wills, trust information and details of any business or pension arrangements. The more complete the information, the more focused our advice can be.

Our role is to show where risks and opportunities may exist and help families understand the next steps.

Where needed, our team can provide further advice and work alongside other professionals involved in estate planning, helping clients understand their position and make informed decisions.

A sensible first step

IHT planning should not feel intimidating, as the main goal is to strengthen your position. Speaking to the right advisers early can help someone understand whether their estate is exposed and whether further planning would be worthwhile.

With expert advice, you should be better placed to decide whether action is needed now, which issues warrant a more detailed review, and the pace and level of planning you are comfortable taking forward.

What happens next?

As your estate is entirely unique, the advice you receive should be tailored to your specific circumstances.

This means that the next steps for you will depend on what we discuss in our review. However, you can be sure that the next steps will include:

- Peace of mind: You may conclude that nothing further is required at this stage.
- Focused changes: You may choose to make a small number of practical updates, such as revising Wills, clarifying ownership, recording gifts or reviewing pension nominations.
- More detailed planning: Where the estate justifies it, you may decide to move ahead with a fuller review and implementation plan.



Get in touch with our Tax Advisory team

For support with IHT planning, we will confirm the information needed and how we can help.

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This guide is for general information only and should not be treated as personal tax advice. Tax treatment depends on individual circumstances, legislation and HMRC practice, any of which may change. Advice should be sought before any action is taken, or not taken, in response to the points covered.