

## IHT Reliefs & Exemptions Quick Guide

This guide outlines key Inheritance Tax (IHT) reliefs and exemptions, helping individuals and families plan their estate efficiently while minimizing tax liabilities. Use this checklist to maximize tax relief opportunities.

### 1. Key IHT Reliefs

- Nil-Rate Band – £325,000 per person before IHT applies (doubled for married couples & civil partners).
- Residence Nil-Rate Band (RNRB) – Additional £175,000 relief when passing a main residence to direct descendants (children, grandchildren).
- Business Relief (BR) – Reduces IHT on qualifying business assets by 50%-100% (e.g., shares in unlisted trading companies, family businesses).
- Agricultural Property Relief (APR) – 50%-100% relief on land & property used for farming.
- Foreign-Domiciled Spouse Exemption – Spouses not domiciled in the UK are limited to a £325,000 tax-free transfer (unless they elect UK domicile).

### 2. IHT-Exempt Gifts

- Annual Exemption – Give up to £3,000 per year tax-free (can carry forward unused allowance for 1 year).
- Small Gift Exemption – Unlimited £250 gifts per recipient (cannot combine with other exemptions).
- Wedding & Civil Partnership Gifts – £5,000 from parents, £2,500 from grandparents & relatives, £1,000 from others.
- Gifts to Spouse/Civil Partner – Fully exempt regardless of amount if both are UK-domiciled.
- Regular Gifts Out of Income – Unlimited tax-free gifts from surplus income (must not reduce the donor's standard of living).

### 3. Additional IHT Reduction Strategies

- Charitable Donations – Gifts to charities are exempt from IHT & reduce tax rate from 40% to 36% if 10%+ of estate is donated.
- Potentially Exempt Transfers (PETs) – Larger gifts may become IHT-free if donor survives 7 years.
- Taper Relief – IHT on PETs reduces if the donor survives more than 3 years (40% → 32% after 3 years, down to 0% at 7 years).
- Gifts with Reservation of Benefit (GROB) – Retaining use of gifted assets (e.g., staying in a gifted house) may result in IHT still being due.
- Pre-Owned Asset Tax (POAT) – Applies if a donor gifts an asset but still benefits from it (e.g., a house or investments).

### 4. Tax Planning Considerations

- Review eligibility for Business Relief & Agricultural Property Relief based on ownership & business activity.
- Use trusts for controlled gifting & asset protection.
- Keep records of all gifts for HMRC compliance.
- Plan early – The 7-year rule applies to large gifts & PETs.
- Ensure liquidity in the estate – Consider life insurance in trust to cover IHT liabilities.



Important: This guide is for general reference. Consult a financial advisor, tax specialist, or solicitor to ensure your IHT planning aligns with the latest tax regulations.