IHT Calculator Guide

This guide helps you estimate Inheritance Tax (IHT) liabilities, apply reliefs, and explore tax-saving strategies. Use this checklist to calculate taxable estate values and understand how to reduce IHT where possible.

1. How to Use the IHT Calculator

☐ Enter total estate value – Include property, savings, pensions, investments, business assets, and personal valuables.

☐ Deduct the Nil-Rate Band (NRB) – £325,000 per person (or £650,000 for married couples/civil partners).

☐ Apply the Residence Nil-Rate Band (RNRB) – Additional £175,000 per person if passing the main residence to direct descendants.

☐ Claim tax reliefs – Business Relief (BR), Agricultural Property Relief (APR), and charitable donations.

☐ Calculate taxable estate – Total estate minus exemptions and reliefs.

☐ Apply the IHT rate (40%) – IHT is charged at 40% on the taxable portion of the estate.

2. Example Calculation

☐ Estate Value: £1,200,000

☐ Nil-Rate Band (NRB): £325,000

☐ Residence Nil-Rate Band (RNRB): £175,000

☐ Business Relief (BR): £200,000 (on qualifying business assets)

☐ Taxable Estate = £1,200,000 - £325,000 - £175,000 - £200,000 = £500,000

☐ IHT at 40% = £500,000 × 40% = £200,000

3. IHT Reduction Strategies

☐ Gifting allowances – Use the £3,000 annual exemption and Potentially Exempt Transfers (PETs) (subject to 7-year rule).

☐ Business & Agricultural Reliefs – Up to 100% relief for qualifying business/farm assets.

☐ Charitable donations – Reduce the IHT rate from 40% to 36% if 10%+ of the estate is donated.

☐ Trusts & estate planning – Consider using Discretionary Trusts to manage inheritance tax liability.

☐ IHT Insurance – Take out a whole-of-life insurance policy in trust to cover IHT liabilities.

4. Common IHT Calculation Mistakes

☐ Forgetting to deduct debts & liabilities – Ensure mortgages, loans, and funeral expenses are accounted for.

☐ Not utilising the RNRB correctly – Must be inherited by a direct descendant to qualify.

☐ Misapplying Business & Agricultural Relief – Not all business/farming assets qualify; check eligibility.

☐ Overlooking gifts & exemptions – Track gifts carefully to avoid unexpected IHT charges.

5. Additional Considerations

☐ Foreign assets – If the deceased owned property or investments abroad, additional tax implications may apply.

☐ Spousal exemptions – Transfers between spouses/civil partners are usually exempt from IHT.

☐ Regular estate planning – Review your estate plan every 3–5 years or after major life changes.

❗ Important: This guide is for general reference only. Seek professional tax advice for accurate IHT calculations and estate planning strategies.