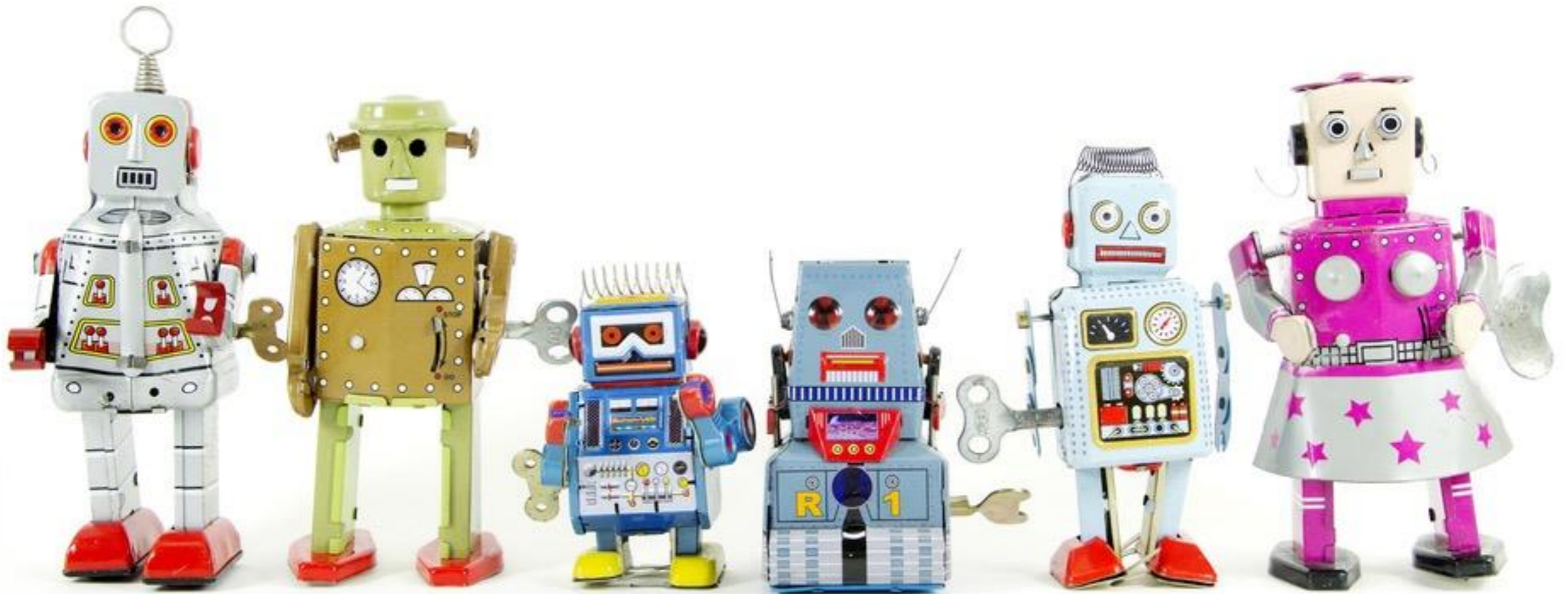


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Overview of the Presentation

Inheritance Tax and Foreign Property

1. Position prior to April 2017
2. The New Residence Nil Rate Band
3. Foreign Property in Wills

The Situation Prior to April 2017

- Each person in England & Wales had an Inheritance Tax threshold of £325,000 – called the ‘Nil Rate Band’.
- You can leave the value of the Nil Rate Band tax free upon your death. Any assets you have over £325,000 will be taxed at 40% upon your death.
- However, married couples/civil partners, have a ‘bonus’ as they can leave their Estate to one another tax free (regardless of the value of the Estate) meaning there is no Inheritance Tax to pay upon the first person’s death.
- Inheritance Tax for married couples/civil partners is then calculated upon the second person’s death. At that point the Estate has £650,000 as the tax free allowance – so two Nil Rate Bands. Anything over £650,000 is charged at 40%

The Residence Nil Rate Band

- So what is this? - the reasoning behind the Residence Nil Rate Band is that the Government wants to enable people to leave the family home to their children without this being sold to pay Inheritance Tax upon the second person's death.
- On 6 April 2017 a second 'Residence Nil Rate Band' of £100,000 is being provided. This will increase incrementally each tax year by £25,000 until it reaches the total of £175,000 by the tax year 2020/21.
- However you only get this Additional Nil Rate Band if you own property at your death, and you are leaving this property to your children/grandchildren/step-children/adopted children.
- Also this Additional Nil Rate Band is tapered if you are worth over £2 million.

The Figures for Inheritance Tax

If you are a single person

- You have the standard £325,000 Nil Rate Band; and
- If you own property at your death and are leaving this to your children/grandchildren then you get an extra:
 - £100,000 this tax year (6 April 2017 – 5 April 2018)
 - £125,000 for next tax year (6 April 2018 – 5 April 2019)
 - £150,000 for the following tax year (6 April 2019 – 5 April 2020)
 - £175,000 for the following tax year (6 April 2020 – 5 April 2021)
- So depending upon your circumstances when you pass away, and the dates, then your Inheritance Tax allowance fluctuates.

The Figures for Inheritance Tax

If you are a married couple upon the second person's death

- You have two Nil Rate Band's totalling £650,000; and
- If you own property on the second person's death and are leaving this to your children/grandchildren then you claim two 'lots' of the Residence Nil Rate Band:
 - £100,000 this tax year (6 April 2017 – 5 April 2018)
 - £125,000 for next tax year (6 April 2018 – 5 April 2019)
 - £150,000 for the following tax year (6 April 2019 – 5 April 2020)
 - £175,000 for the following tax year (6 April 2020 – 5 April 2021)
- So depending upon your circumstances when you pass away, and the dates, then your Inheritance Tax allowance fluctuates.

Foreign Property in Wills

- If you own Property abroad then it is highly recommended that you make a Will in the Country in which you own property. You should take advice from a qualified solicitor in that Country to ensure that you comply with their legal system.
- Your English Will should be tailored to cover all of your assets except for those abroad, whilst your Foreign Will should ONLY cover the assets in that country.
- For Inheritance Tax purposes you will need to pay IHT in the UK for all of your worldwide assets. Depending upon the Country in which you hold the Property then you may have to pay IHT there.
- The UK has a Double Taxation Treaty with many countries which ensures that you do not have to pay IHT on the same asset twice, therefore allowing you to recover IHT that has already been paid.

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