



Inheritance Tax Relief On Homes

One of the headline announcements of the last Budget was the Government's increase of the inheritance tax (IHT) allowance to £1million per married couple.

Before the changes, an individual was entitled to leave assets up to £325,000 to their beneficiaries IHT free and married couples were able to transfer any unused allowance to the survivor – meaning up to £650,000 of assets could be left to their chosen beneficiaries without paying IHT.

The latest changes will provide individuals with an additional IHT free 'family home allowance' of up to £175,000 when a residence is passed on death to direct descendants. The allowance will be transferable where the second spouse dies on or after 6 April 2017, irrespective of when the first spouse dies.

Lynda Richards, Associate in the Wills, Trusts and Tax at leading regional law firm Aaron and Partners said: "It is important to note that there are some technicalities to be aware of; the additional allowance will be introduced from 6 April 2017 at £100,000. The band will increase by £25,000 per annum until reaching £175,000 in 2020/2021. Therefore, by 2020, a married couple will be able to leave a house worth up to £1million to their children without incurring IHT.

The allowance can still continue to be claimed if a person downsizes or stops owning their own home on or after 8 July 2015 and if assets of an equivalent value are passed on death to their direct descendants.

However, it is important for families that are keen to benefit from this increased IHT relief to seek professional advice".

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