

RESEARCH SUGGESTS MANY INDIVIDUALS 'UNAWARE OF IHT RULES' WHEN GIFTING MONEY



Research carried out by the Institute for Fiscal Studies (IFS) and the National Centre for Social Research (NCSR) has suggested that only 45% of individuals seeking to gift money are aware of inheritance tax (IHT) rules and exemptions.

According to the IFS, the research aimed to 'analyse individuals' awareness of IHT rules and exemptions'. It also 'explored the prevalence of gifting in the general population and how it varied between different groups', and considered the 'nature of gifting'.

You can give away £3,000 worth of gifts each tax year (6 April to 5 April) without them being added to the value of your estate. This is known as your 'annual exemption'.

You can carry any unused annual exemption forward to the next year - but only for one year.

Each tax year, you can also give away:

- Wedding or civil ceremony gifts of up to £1,000 per person (£2,500 for a grandchild or great-grandchild, £5,000 for a child)
- Normal gifts out of your income, for example Christmas or birthday presents - you must be able to maintain your standard of living after making the gift
- Payments to help with another person's living costs, such as an elderly relative or a child under 18
- Gifts to charities and political parties

You can use more than one of these exemptions on the same person - for example, you could give your grandchild gifts for her birthday and wedding in the same tax year

Small gifts up to £250

You can give as many gifts of up to £250 per person as you want during the tax year as long as you have not used another exemption on the same person.

Most gifts made by an individual to another individual, during their lifetime will be exempt from IHT unless the donor dies within 7 years of making the gift. Such gifts are known as potentially exempt transfers (PET's).

The current starting threshold for IHT for a single person is £325,000, and £650,000 for married couples and civil partners, who have the added benefit of the residential nil-rate band which gives them an additional £150,000 each of tax-free property-based inheritance as of 6 April 2019. The allowance is set to rise to £175,000 from 6 April 2020.

This additional tax relief, which is only available when assets are passed on to children, was the way the Conservative Government could achieve its pledge to raise the IHT threshold to £1m, first announced by then Prime Minister David Cameron in 2015.

The research found that just 25% of so-called 'gifters' have a 'working knowledge' of IHT rules in relation to gifting. However, many individuals have sought additional information on the rules.

12% stated that they wouldn't have given a gift had IHT rules or exemptions not been in place. The research suggested that, of those who reported that they were influenced by IHT rules, only 38% said that passing on assets was the purpose of the gift.

Older people are 'more likely' to be gifters than young people, according to the data. 24% of individuals aged 70 and over have gifted in the past two years, compared to just 3% of those aged between 18 and 29.

If you would like help with any queries regarding inheritance tax contact us and speak to a member of our tax team. Please call on 01753 888211 or email info@nhllp.com to discuss further.