

MORE CAUGHT IN THE NET OF IHT PROPERTY VALUATIONS

Rising property values and frozen inheritance tax thresholds are pushing more estates into HMRC's sights. In the past year alone, HMRC property valuation challenges have increased by more than 20% - a direct result of more families unexpectedly exceeding the IHT nil-rate band.

With residential property accounting for not far off 50% of the net value of estates, challenging valuations is an easy way for HMRC to boost tax revenues, especially as AI can now be used to identify inconsistencies.

ADVICE FROM EXPERTS

There can be significant financial consequences if an executor understates the value of property in an IHT return:

- Apart from the additional IHT payable, late payment interest – currently set at 7.75% – will be due on the underpayment.
- A penalty can also be charged if the underpayment results from a return containing an inaccuracy due to reasonable care not being taken.

Best advice is for executors to instruct a professional valuer, rather than just relying on an estimate from a high street estate agent. However, taking the average from three estate agent valuations will mean reasonable care has been taken.

WHAT THE FUTURE HOLDS

Unfortunately, the situation is unlikely to improve over the next few years. IHT thresholds are set to remain frozen until 5 April 2031, while the property market, although subdued as a result of the inflationary impact of the Middle East conflict, remains resilient and is unlikely to see falling values, except for London and the South East of England.

The inclusion of most unused pension pots within the IHT net from April 2027 (unless inherited by a spouse or civil partner) will increase the number of estates subject to IHT.

PLANNING FOR YOUR ESTATE

Wills should be up to date, taking into account realistic property values and the coming inclusion of pension pots. Make sure that, where possible, the residence nil rate band is fully utilised as this can save IHT of £140,000 for a couple.



Lifetime gifts are becoming increasingly popular as a means to mitigate potential IHT liabilities. One problem is that the main residence might be the only sizeable asset, but downsizing could be a way of releasing funds for lifetime gifting.

The government's guide to how to value an estate for IHT and report its value can be found [here](#).

WE CAN HELP

If you require further assistance, please contact us on **01753 888 211** or email info@nhllp.com, we are here to help.