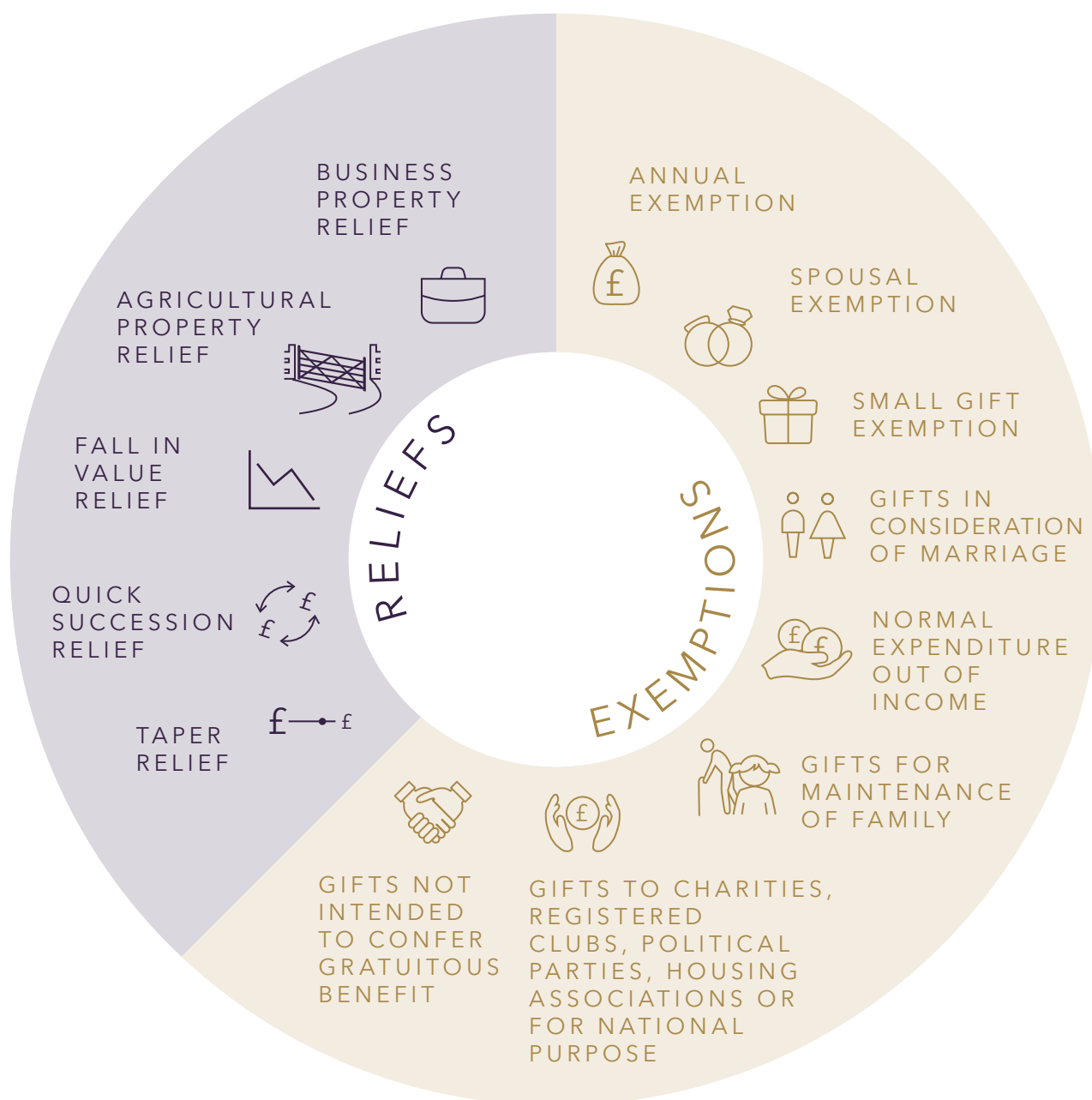


INHERITANCE TAX (IHT) EXEMPTIONS AND RELIEFS LIFETIME GIFTS

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WEALTH SOLUTIONS



Before considering other forms of Inheritance Tax (IHT) planning, clients should make sure they have made use of any available IHT exemptions or reliefs. A full description of each term can be found overleaf.



This information is based on Utmost's understanding of current law and HM Revenue & Customs' practice as at 1 March 2025. Tax rules may change and depend on individual circumstances. This information does not constitute legal or tax advice and must not be taken as such. The companies in the Utmost Group can take no responsibility for any loss which may occur as a result of relying on this information.

EXEMPTIONS



ANNUAL EXEMPTION

Each tax year an individual is entitled to make transfers up to a total of £3,000 to either other individuals or to trusts. These transfers are not then subject to IHT. If all or part of the annual exemption was not used in the previous tax year, it can be carried over to the current year – otherwise it is lost. The annual exemption can be used in conjunction with other exemptions such as the marriage exemption.

(s19 IHTA 1984)



SPOUSAL EXEMPTION

Transfers to a UK domiciled (or from 6 April 2025 a UK long term resident) spouse/civil partner are completely exempt and are free of IHT. Transfers from a UK domiciled spouse to non-UK domiciled spouses are currently limited to £325,000 unless the non-UK domiciled spouse elects to be treated as UK domiciled. This election is irrevocable.

(s18 IHTA 1984)



GIFTS IN CONSIDERATION OF MARRIAGE EXEMPTION

Gifts made in consideration of a marriage or a civil partnership are exempt from IHT up to certain limits depending on the relationship between the person making the gift and the recipient couple. The exemption is £5,000 for a wedding involving the donor's child, £2,500 for the wedding of a donor's grandchild or £1,000 to any other couple.

(s22 IHTA 1984).



SMALL GIFTS EXEMPTION

Gifts to individuals that are less than £250 are not subject to IHT. Note this exemption is a stand-alone exemption, i.e. it cannot be used in conjunction with other exemptions such as the marriage exemption or annual allowance. There is no limit to the number of gifts that can be made under this exemption.

(s20 IHTA 1984)



NORMAL EXPENDITURE OUT OF INCOME

Where gifts are made out of the transferor's surplus income, the gifts can be exempt from IHT if they are regular and, after the gift is made, the transferor is left with sufficient income to maintain their standard of living.

(s21 IHTA 1984)



GIFTS TO CHARITIES, REGISTERED CLUBS, POLITICAL PARTIES, HOUSING ASSOCIATIONS OR FOR NATIONAL PURPOSE

These are completely exempt from IHT providing the gift meets the conditions given in the relevant sections.

(s23-s25 IHTA 1984)



GIFTS MADE FOR MAINTENANCE OF FAMILY

Any gift made for the maintenance of a spouse, dependent child or dependent relative can be exempt from IHT providing certain conditions are met.

(s11 IHTA 1984)



GIFTS NOT INTENDED TO CONFER GRATUITOUS BENEFIT

Where a transaction is made and money exchanges hands, this will not be considered a gift for IHT purposes unless the transaction is with a connected person such as a spouse or child. Here there could still be a transfer of value if the transaction is not at arms-length.

(s10 IHTA 1984)

RELIEFS



BUSINESS PROPERTY RELIEF

Relief from IHT is potentially given on a transfer of value where that transfer contains business property, with the relief given dependent on the type of business property. Following the 2024 Autumn Budget, for assets qualifying for 100% relief the amount of relief on any failed transfers made after 30 October 2024 is restricted to a £1 million lifetime allowance from April 2026. Importantly this threshold does not apply to assets qualifying for only 50% relief. This £1m allowance is also combined with any claim of agricultural property relief. If the total value of business and agricultural property exceeds the £1m threshold then the 100% rate of relief is apportioned. For example, if there was agricultural property of £3 million and business property of £2m the allowance for agricultural and business property would be £600,000 and £400,000 respectively. For any transfers over this amount the relief is restricted to 50% for deaths after April 2026.

The rates of relief (assuming within the £1m threshold for the 100% rate) are as follows:

Sole trader companies and unlisted shares* (not shares designated as not listed on recognised exchange) -100%

Quoted shares where the transferor has a holding of more than 50% (which can be in conjunction with their spouse or civil partner) **-50%**

***Shares designated as not listed on a recognised exchange - 50%** (unlisted includes shares not listed on recognised stock exchanges such as AIM)

Land, machinery and buildings owned by partners/shareholders and used by the business -50%

To claim relief the property must have ordinarily been held for two years prior to the transfer.

(s104 IHTA 1984)



AGRICULTURAL PROPERTY RELIEF

Relief from IHT is potentially given on a transfer of value where that transfer contains agricultural property (subject to the £1m lifetime allowance). The relief is usually given at 100% of the value of the property for agricultural purposes (not the development value). A lower rate of 50% applies to certain tenanted property subject to long leases and this rate will also apply where the lifetime allowance is exceeded from April 2026.

(s116 IHTA 1984)



FALL IN VALUE RELIEF

Relief can be given to IHT if an asset falls in value between the date of transfer and the date of death.

(s131 IHTA 1984)



QUICK SUCCESSION RELIEF

Where property is gifted and IHT becomes payable, relief can apply if the recipient subsequently dies within 5 years of receiving the gift. This is referred to as quick succession relief and can reduce the amount of IHT in the deceased's estate. Relief is given on a sliding scale.

(s141 IHTA 1984)



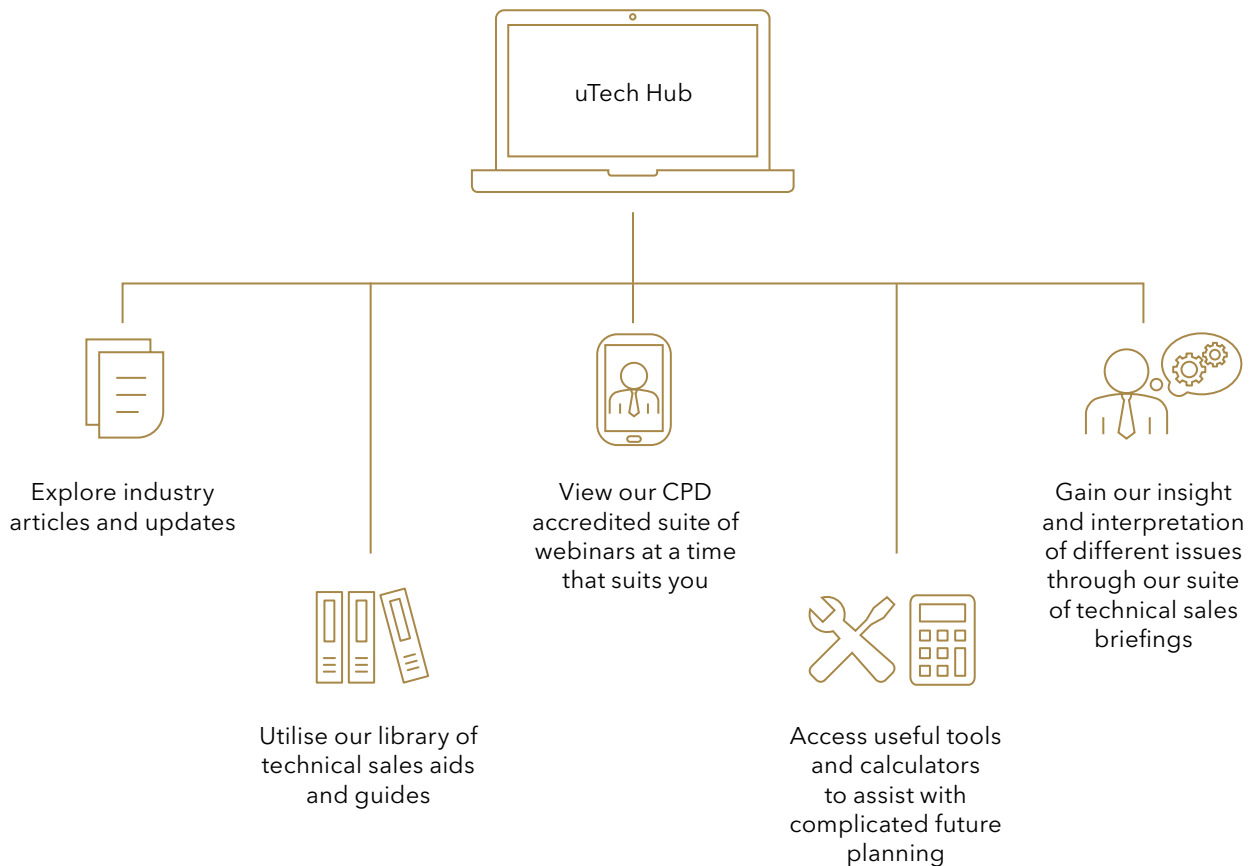
TAPER RELIEF

Taper relief can be used to reduce IHT that becomes payable on a lifetime gift by the recipient should that transfer become subsequently chargeable.

(s7(4)IHTA 1984)

FIND OUT MORE

The uTECH hub, located on the adviser side of our website **www.utmostinternational.com**, is the home for all of our technical support and materials. It allows our key partners to keep up to date with interesting industry articles and updates at any time.



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