

# Giving while living

What will your legacy look like?

April brought a host of changes to the UK's tax regime, with some thresholds for taxes such as additional rate Income Tax being lowered while others, such as Corporation Tax, are increased.

However, the Inheritance Tax (IHT) nil-rate band has remained stagnant at £325,000 since 2009, despite the meteoric rise in property prices over the same period. This has resulted in an all-time high of £6.1bn being collected in Inheritance Tax in 2021/22.

## **FREEZING OF THE NIL-RATE BAND**

Chancellor Jeremy Hunt announced in the Autumn Statement on 17 November 2022 that the government had frozen the IHT thresholds for two more years. As the threshold was already frozen until April 2026, it means that the threshold is now frozen until April 2028.

If you own a home worth over £1 million, there is a risk that your loved ones may face a costly IHT bill upon inheritance, due to the freezing of the nil-rate band. While there is an additional residence nil-rate band (RNRB) of £175,000 that can apply when passing on the property you lived in, married couples or those in registered civil partnerships can transfer the allowance, enabling most couples to pass on up to £1 million tax-free, assuming they pass on their home to their direct descendants.

## **WEALTH TO FUTURE GENERATIONS**

However, if your total estate exceeds £2 million, the RNRB will be tapered. For every £2 by which your individual estate exceeds £2 million, the RNRB will be decreased by £1. Professional financial advice can help homeowners plan to mitigate the impact of IHT.

Downsizing is a popular method to manage IHT, but this presents the challenge of passing on the sale balance to your loved ones. Planning for the transfer of wealth to future generations can be an uncomfortable topic for many families. However,

proper estate planning can ensure a smooth and stress-free transition of family wealth to loved ones.

## **FEELING FINANCIALLY SQUEEZED**

It's understandable that many people are feeling financially squeezed in the current climate, and as a result, we are likely to see a rise in 'giving while living'. This refers to the practice of lifetime gifting to loved ones, particularly adult children who may be struggling to make ends meet during the ongoing cost of living crisis.

However, it's important to note that the extended freeze on thresholds will mean that many people will now need to seek professional financial advice more than ever to protect their wealth and ensure that it is passed on according to their wishes, without being caught out by unforeseen taxes in the future. ■

## **NEED ADVICE TO SECURE YOUR FAMILY'S FINANCIAL FUTURE?**

We understand the importance of addressing these issues in a calm and objective manner. We can assist you in creating a comprehensive succession plan that maximises the amount of wealth passed down to future generations while minimising tax implications. Let us help you secure your family's financial future with careful estate planning. To find out more, please speak to us.

## **Source data:**

[1] <https://www.gov.uk/government/statistics/hmrc-tax-and-nics-receipts-for-the-uk/hmrc-tax-receipts-and-national-insurance-contributions-for-the-uk-new-annual-bulletin#inheritance-tax>

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