

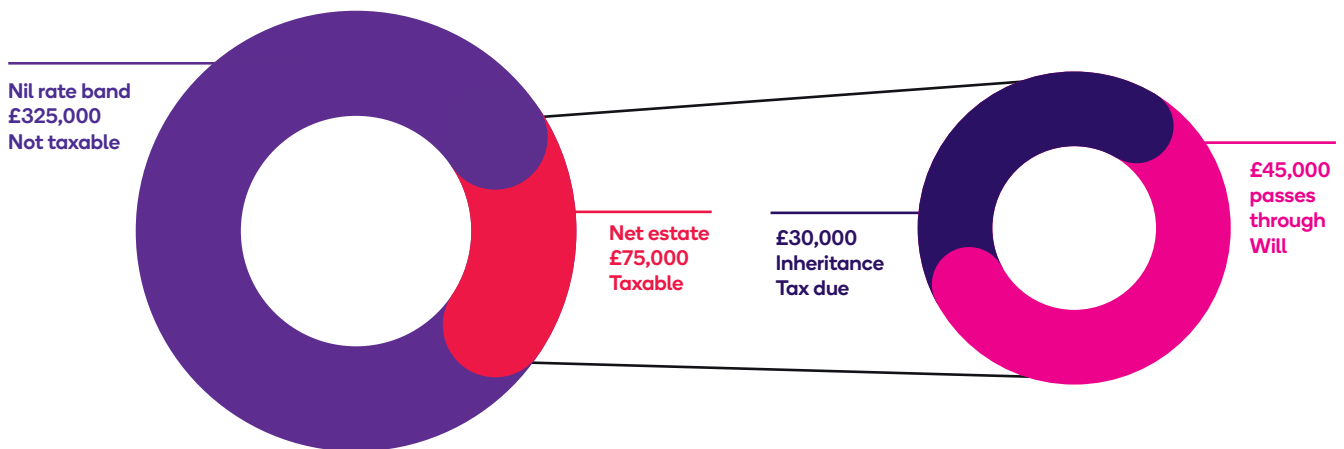
Inheritance Tax

Generally your nil rate band for Inheritance Tax is £325,000, if your spouse or civil partner passes away before you do without using all of their nil rate band that can be transferred over to you.

Although this seems like a lot, if you have property, investments or savings it may be that your estate will have to pay Inheritance Tax.

The current rate is 40% of everything over £325,000 (your net estate).

Example: Estate worth £400,00

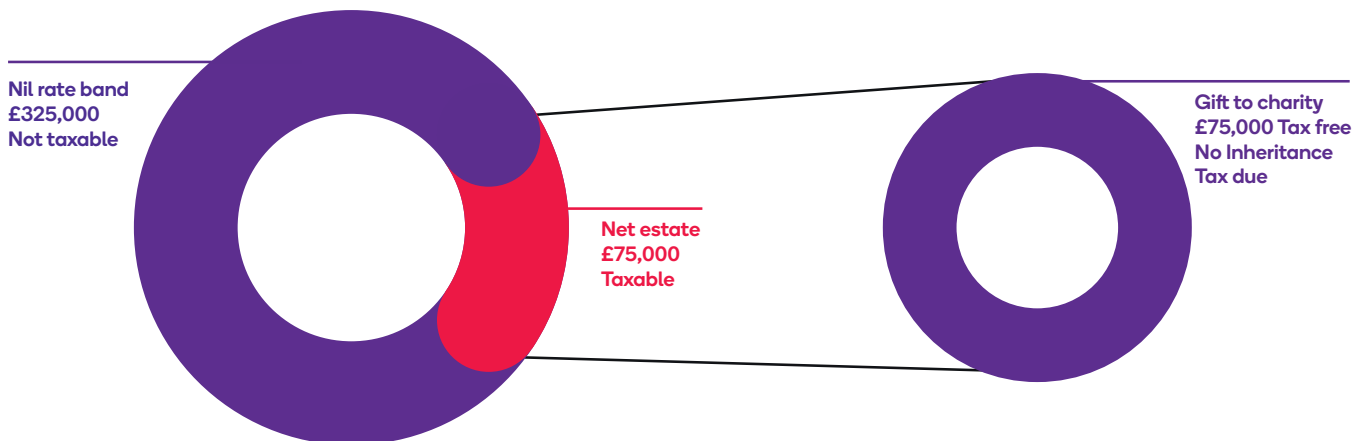


Luckily, if you want to leave a gift to charity it can reduce the Inheritance Tax you have to pay because most gifts to charity are tax free. This means they are taken off the value of your estate before Inheritance Tax is calculated.

Example: Estate worth £400,00



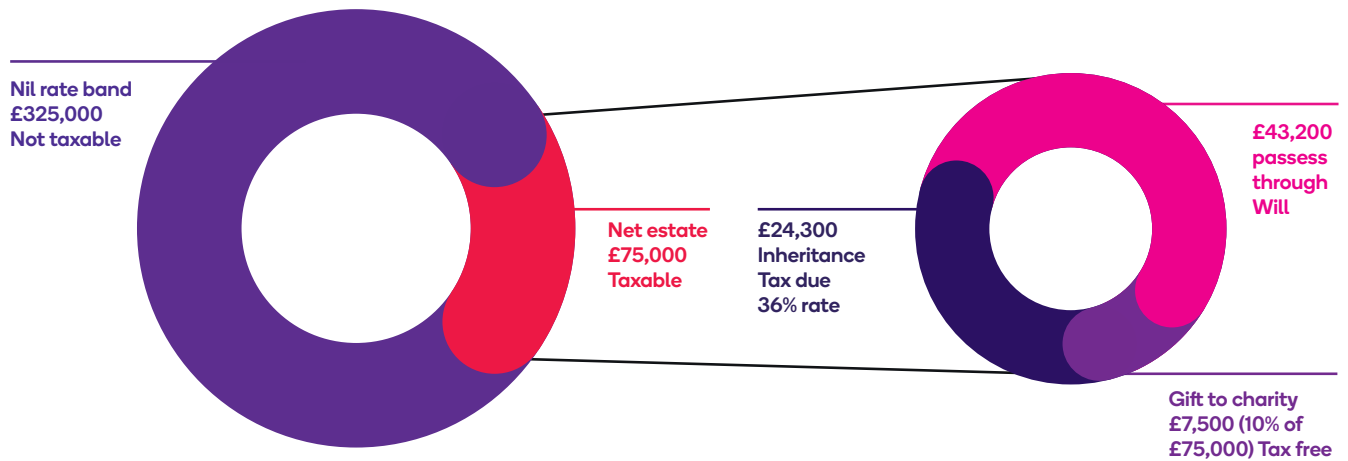
Example: Estate worth £400,00



Reduced rate of Inheritance Tax

Although the normal Inheritance Tax rate is 40% there is a reduced rate. If you leave 10% of everything over £325,000 to charity your rate will be reduced to 36% not 40%

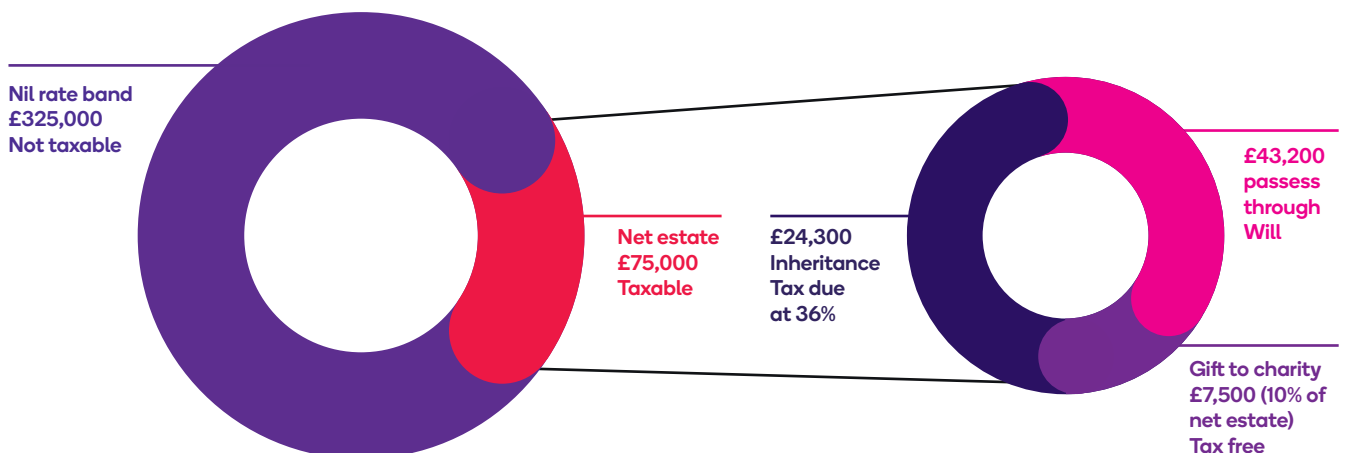
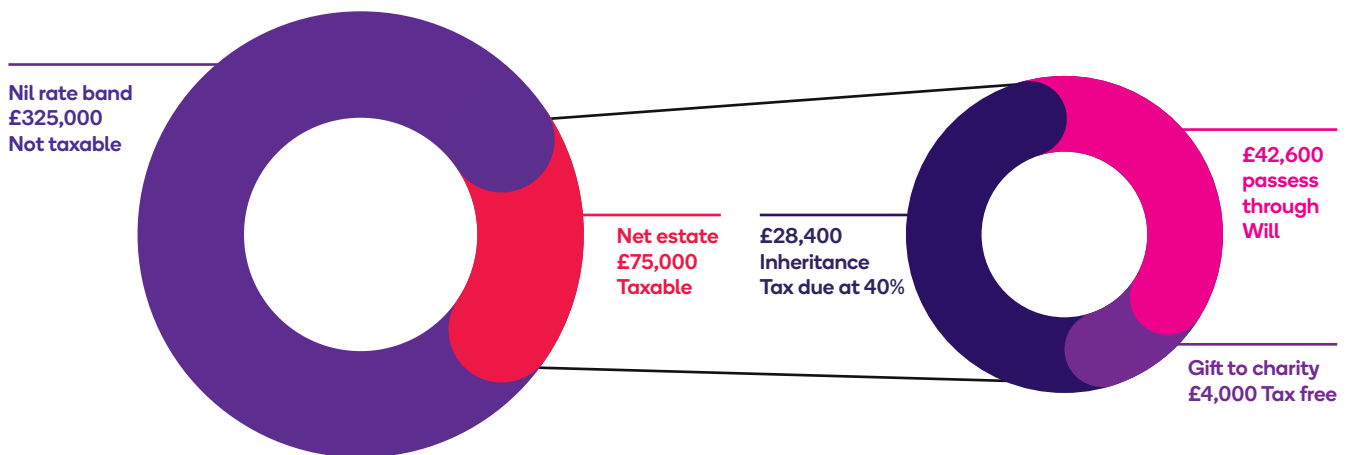
Example: Estate worth £400,00



The 4% rule

If you are already giving over 4% of everything over £325,000 to charity you might as well give 10% and benefit from the reduced Inheritance Tax rate. This will result in both the charity and other beneficiaries getting more!

Example 1: Estate worth £400,00



Example 2

Mr Smith's Estate is worth £400,000. He has left £4000 to charity and the rest is shared between his children.

Estate value	£400,000	£400,000
Nil rate band	£325,000	£325,000
Net estate for 10% test	£75,000	£75,000
Charitable legacy	£4,000	£7,500 (10% of £75,000)
Taxable estate	£71,000	£67,500
Inheritance Tax due	£28,400 (@40% rate)	£24,300 (at 36% rate)
Amount shared between children	£367,600	£368,200

If Mr Smith leaves 10% to charity, the charity or charities get an extra £3500 and Mr Smith's children get an extra £600 to share between them.

Please note, if you believe your estate will have to pay Inheritance Tax we recommend you seek professional advice. The above information is simply to make you aware of the different ways giving to charity can reduce or eliminate the Inheritance Tax paid.