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WHAT IS INHERITANCE TAX – INFORMATION FOR CLIENTS Walsh West Private Client Legal 2021

What is inheritance tax?

Inheritance tax is a tax charged to the estate of someone who has passed away.

It is typically paid on any finances, property, possessions and other valuable assets the deceased has left behind.

However, not everyone has to pay inheritance tax. No charges are made against estates valued at less than the £325,000 threshold.

Inheritance tax key features

- Inheritance tax will only be charged on any value that exceeds your tax-free threshold of £325,000.
- The standard rate of inheritance tax on estates over £325,000 is 40%.
- There will be no inheritance tax to pay if you leave everything to your spouse or civil partner.
- You won't be liable for inheritance tax if you leave your estate in full to a charity or community amateur sports team.

Who pays inheritance tax?

- It is usually the executor of the will who will need to arrange the payment of inheritance tax to HM Revenue & Customs (HMRC).
- If no legal will exists, the administrator of the estate (usually the next of kin) will be responsible for arranging any inheritance tax payments.

How is inheritance tax paid?

Inheritance tax can be paid from the sale of assets or funds from the estate. This is mostly done through a direct payment scheme.

In these cases, if the deceased had money set aside in a bank or building society account, the person dealing with the estate can request for the inheritance tax to be paid directly from that account.



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Does a spouse pay inheritance tax?

Spouses do not have to pay inheritance tax on any money or assets left to them by their partner. However, if the deceased has left funds or assets to other parties as well, there may be inheritance tax charges.

The surviving spouse can often combine their inheritance tax allowance with that of the deceased partner, so the total joint threshold becomes £650,000.

When do you pay inheritance tax?

Inheritance tax is due at the end of the sixth month after the person has passed. If you don't pay the inheritance tax before this point, HMRC may charge interest on the outstanding payments.

Executors and administrators can choose to pay through instalments stretched out over ten months. However, these payments may be subject to interest from HMRC.

If you have overpaid on your inheritance tax, once the estate has been through probate, HMRC will refund the excess payments directly.

For initial advice about Estate Planning including Lasting Powers of Attorney, Wills, Trusts and Probate; call our team on 0203 488 7503, 01992 236 110 or contact us by email at welcome@walshwestcca.com or via our website www.walshwestcca.com and we will help you.