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## **INHERITANCE TAX PLANNING - INFORMATION FOR CLIENTS Walsh West Private Client Legal 2021**

### **How should I plan for Inheritance Tax?**

Inheritance Tax Planning is vital if you are looking to reduce the tax bill on your estate to help maximise the inheritance your loved ones will receive.

Inheritance Tax is the tax paid on the value of a deceased person's estate. You might be thinking that if it's an inevitability, what is the point in planning for it?

Some people take the view that their money is theirs to spend and the next generation must make their own way in the world. Others are very concerned that the tax paid on their death should be minimised. Inheritance Tax (IHT) planning therefore speaks to those individuals.

### **When should tax planning begin?**

Not everyone is comfortable with talking about death. It is our reluctance to face the inevitable that is the biggest cause of problems. There are reliefs that can reduce inheritance tax significantly, but they invariably need a structure to be in place for at least two years before the relief can apply and this period can extend much longer in particular circumstances.

Therefore, waiting until we are frail or in poor health before we finally tackle the issue often means it is simply too late to make much of a difference. Planning should start now!

### **What is an Inheritance Tax planning service?**

Inheritance tax planning involves a review of the individual's current exposure to IHT. Fundamental to this is an understanding of the current value of all the assets, any gifts made by the individual in the last seven years and the individual's residence and domicile status.

They may have formed a view about where they would like certain assets to end up, and whether or not they have a will in place evidencing decisions already made needs to be understood.

Once the current IHT bill has been established, it is possible to consider ways to mitigate this.

### **How can Inheritance Tax be reduced?**



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There are a number of steps to take and these include:

- making full use of available annual exemptions such as the annual gift allowance
- identifying any assets that can be passed to the next generation by making lifetime gifts known as potentially exempt transfers
- identifying any reliefs available, such as business property relief
- considering charitable gifts.

A review will also identify other taxes which may be triggered, and any reliefs which may be available to mitigate those such as gift relief for capital gains tax purposes.

### **Should I use a Trust for Inheritance Tax Planning?**

You may wish to use a trust as a structure to protect assets and pass them to the next generation. We can advise on the tax consequences of trusts although we cannot draft trust documentation and will need to work alongside your solicitor in relation to this step once the planning exercise is more advanced.

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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](mailto:welcome@walshwestcca.com) or via our website [www.walshwestcca.com](http://www.walshwestcca.com) and we will help you.