

Inheritance Tax

Transfers on or Within Seven Years Before Death		
	2009/10	2008/09
Nil rate band to	£325,000	£312,000
Rate of tax on balance	40%	40%
Chargeable lifetime transfers	20%	20%

It is now possible to transfer unused nil-rate band allowances between spouses or civil partners. For individuals who die on or after 9 October 2007 a claim may be made to utilise any unused nil rate band from their deceased spouse or civil partner's estate.

All lifetime transfers not covered by exemptions and made within seven years of death will be added back into the estate for the purpose of calculating the tax payable. This may then be reduced by taper relief.

Charge on Gifts Within 7 Years of Death					
Years before death	0-3	3-4	4-5	5-6	6-7
Tax reduced by	0%	20%	40%	60%	80%

Main Reliefs	
<i>Business property:</i>	
business or interest therein	100%
qualifying shareholders in unquoted* companies	100%
land, buildings, machinery, or plant used by transferor's controlled company or partnership	50%
Agricultural property	50% or 100%
*Unquoted companies include those listed on AIM	

Inheritance Nil Rate Band Increasing to £350,000

The Government has announced the IHT nil rate bands for the following tax years:

- **2009/10** - £325,000
- **2010/11** - £350,000

Main Exemptions

1. Most transfers between spouses and civil partners.
2. The first £3,000 of lifetime transfers in any tax year plus any unused balance from previous year.
3. Gifts of up to but not exceeding £250p.a. to any number of persons.
4. Gifts in consideration of marriage or civil partnership: up to £5,000 by a parent, up to £2,500 by a grandparent, or up to £1,000 by any other person.
5. Gifts made out of income that form part of normal expenditure and do not reduce the standard of living.
6. Gifts to charities, whether made during lifetime or on death.
7. Gifts to political parties