



Inheritance Tax Step-by-Step

Passing on wealth to the next generation

STEP 1

Understand the IHT Basics

- 40 per cent tax applies to estates over £325,000.
- Add £175,000 Residence Nil-Rate Band (RNRB) if passing home to descendants.
- Married couples can pass on up to £1 million tax-free.
- Nil-rate bands frozen until 2030 – plan ahead as asset values rise.

STEP 2

Prepare for changes to APR & BPR (Effective April 2026)

- 100 per cent relief capped at £1 million per person.
- Relief on excess reduced to 50 per cent.
- Large farms and businesses could see increased IHT exposure.

STEP 3

Anticipate pension changes (Effective April 2027)

- Defined contribution pensions may become part of taxable estate.
- Up to 40 per cent tax if estate exceeds thresholds.
- Estimated 38,500 estates affected – review your pension strategy.

STEP 4

Reduce IHT with smart planning

- Use nil-rate bands and spousal transfers.
- Fully utilise RNRB by leaving home to children/grandchildren.

STEP 5

Maximise gifting opportunities

- Gift up to £3,000 annually tax-free (plus £3,000 carry-over).
- Use wedding/small gift allowances.
- Larger gifts become tax-free after seven years.

STEP 6

Make regular gifts from income

- Regular gifts from surplus income can be exempt.
- Must not affect your standard of living.

STEP 7

Use trusts to protect wealth

- Certain trusts reduce IHT and maintain control.
- Ideal for protecting wealth across generations.

STEP 8

Check your estate's liquidity

- Ensure tax-efficient asset distribution.
- Plan smooth business or farm succession.

STEP 9

Review your will and succession plans

- From April 2026, some IHT may be paid in instalments.
- Ensure enough liquid assets to cover tax liabilities.

STEP 10

Speak to a professional

- With sweeping changes on the way, now is the time to act.
- Protect your estate, support loved ones and reduce your IHT bill.