



Crowe Clark Whitehill LLC™

PROPOSED CHANGES TO INHERITANCE TAX NIL RATE BAND RELATING TO THE VALUE OF YOUR MAIN RESIDENCE

An additional transferable nil rate band has been introduced for Inheritance Tax (IHT) for the transfer, on death, of a main residence to a direct descendant. A direct descendant means a child and their lineal descendants.

This relief is available to both UK domiciled and non-UK domiciled individuals. However non-UK resident individuals will probably not benefit from this additional relief because it is likely that their main residence would be outside the UK.

The relief is available on one property only, which must have been the deceased's main residence at some point during his/her life. Executors may elect which property should qualify where there is more than one in the estate.

The current nil-rate band of £325,000 will remain in place until 2020/21. The unused proportion can be transferred to a surviving spouse on death. In 2017/18 each individual is entitled to an additional main residence nil rate band of £100,000, rising to £125,000 in 2018/19, £150,000 in 2019/20 and in 2020/21 the allowance will be £175,000. The main residence nil rate band will then rise in line with the Consumer Prices Index from 2021/22 onwards.

Any unused proportion of the main residence nil rate band will also be transferable to a spouse on death. By 2020/21 this will allow a married couple to pass a home with a value of up to £1 million on to direct descendants without paying IHT.

Care needs to be taken when spouses do not have the same domicile, as transfers from a UK domiciled individual to a non-UK domiciled spouse do not benefit from the same spousal exemption for IHT purposes.

For individuals with a net estate in excess of £2 million, this allowance is reduced at a rate of £1 for every £2 over £2 million.

If you would like to know more then please contact

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