



UK INHERITANCE TAX CHANGES - LIMITS ON DEDUCTIONS FOR LOANS AGAINST IHT

Any individuals relying on debt to reduce a potential Inheritance Tax (IHT) charge should now review their affairs. There are three changes relating to deductibility of debts when calculating an Inheritance Tax charge:

- Where debts are not repaid on death, it will have to be demonstrated that there is a commercial reason for retaining the debt, not simply a desire to obtain a tax advantage. If a case for commerciality cannot be sustained then a deduction of the debt against the value of the assets chargeable to IHT will be denied unless the debt is repaid on or after death by the estate.
- In the case of a non-UK domiciled person who dies owning UK estate chargeable to UK IHT, where UK loans have been taken out directly or indirectly to acquire, maintain or enhance non-UK property, i.e. "excluded property" for IHT purposes, such debts will not be taken into account as deductions for IHT purposes on death, except where they exceed the value of the excluded property and do not have a tax avoidance motive.
- Where debts have been taken out on or after 6 April 2013 to acquire UK property that is eligible for business property relief (BPR) or agricultural property relief (APR) (such as shares in a UK family trading company, UK agricultural land etc) these debts will not also be allowable against other property not eligible for BPR or APR.

These new measures became effective from July 2013, but only as regards liabilities incurred on or after 6 April 2013.

If you would like to know more then please contact
Pam Harvey : pam.harvey@crowe.im John Cowan : john.cowan@crowe.im
or Elaine Rudge : elaine.rudge@crowe.im

Crowe Clark Whitehill LLC, 6th Floor, Victory House, Prospect Hill, Douglas IM1 1EQ
Tel: 01624 627335; Fax: 01624 677225; Web: www.crowe.im

Crowe Clark Whitehill LLC does not accept any liability for any action taken or not taken on the basis of this Note. Crowe Clark Whitehill is a registered Business Name of Crowe Clark Whitehill LLC. Crowe Clark Whitehill LLC is a Limited Liability Company registered in the Isle of Man No. 719L.