

Inheritance tax is currently payable on estates above £325,000 and at a rate of 40%. Below £325,000 is known as the 'nil-rate band'.

However, elements of an estate left to a widow or widower, or to an EU-registered charity usually incur no tax at all, irrespective of their value. This is known as 'exempt property' and is deducted from the value of any remaining estate before any inheritance tax calculations are made.

In addition, property can be given as gifts to husbands, wives, civil partners and charities to reduce the value of an estate. With careful, timely planning making such gifts can reduce an estate to below the nil-rate thresholds. However, the value of any trust or gifts of capital made during the seven years immediately prior to the deceased's death, do incur inheritance tax – on a sliding scale over the length of that seven-year period – and this will usually be added to the rest of the estate, thus increasing the total inheritance tax payable.

In the case of an estate of a widow or widower who has not remarried, it may be possible to claim a further allowance against inheritance tax, known as the 'transferable nil-rate band'. Any part of the nil-rate band unused on the first death can be claimed and added to the nil-rate band available to the survivor, with an additional increase to reflect any change in the nil-rate band between the first death and the second death. We can advise you in further detail about this.

Inheritance tax has to be paid before we can obtain the grant of representation from the Probate Registry. Because the estate is 'frozen' at the date of death, raising funds to pay inheritance tax before the grant is obtained may mean borrowing money. Banks, building societies, and some other institutions are usually willing to advance funds that they are holding in order to enable you to pay inheritance tax.

Inheritance tax is generally due to be paid six months after the end of the month in which the death occurs. There are special arrangements for payment of tax in respect of land (including a house or flat) and shares in a private company, where tax can usually be paid in instalments over 10 years. However, any inheritance tax paid after the end of six months from the date of death will attract interest at the current HMRC rate.