

Chapter 24

INHERITANCE TAX

1 Introduction

The majority of UK taxpayers will only experience chargeability to Inheritance Tax (IHT) on one occasion – when they die! If their Chargeable Estate exceeds the nil rate band, currently £325,000, the excess will be taxed at 40%.

If only the assets still owned at the time of death were to be taxable, “deathbed gifting”, giving assets away just prior to death, would effectively avoid this tax. This means that certain lifetime gifts, those made within 7 years of death, will also become chargeable on the death of the taxpayer. In addition there are also some transfers made in lifetime, transfers into trusts, that will generate immediate chargeability to IHT as well as chargeability on death.

2 Transfer of Value

IHT is a cumulative donor based tax and for it to arise an individual must make a transfer of value i.e. a gift, computed as the loss to the estate of the donor. This is calculated as the difference in estate value before and after the gift of the asset.

The amount of tax that may be payable on a transfer of value is based on the cumulative amount of transfers made by the donor over a 7 year period.

For most assets the transfer of value will be the same as the open market value of the asset e.g. gifting a property worth £250,000 or cash of £100,000, but for some assets, notably shares in unquoted companies the transfer of value may be considerably higher than the market value of the asset being gifted.

ILLUSTRATION 1

A owns 60% of the shares in A Ltd. A Ltd has 100,000 £1 ordinary shares in issue.

Share valuations have been agreed with HMRC as follows:

20%	£10 per share
40%	£15 per share
60%	£25 per share
80%	£40 per share

Compute the transfer of value if A were to die leaving his shares to his daughter, or alternatively if he were to make a lifetime gift of 20,000 shares to his daughter.

If A died owning his 60,000 shares, a 60% shareholding, they would be valued at £25 per share i.e. 60,000 @ £25 = £1,500,000.

If, however, he were to give 20,000 shares in lifetime the transfer of value would not be based on the value of a 20% interest i.e. £10 per share, but would be computed as the difference between the value of his estate before and after the transfer:

Before	60,000 shares (60%) @ £25 =	1,500,000
After	40,000 shares (40%) @ £15 =	600,000
Transfer of Value		<u>900,000</u>

A transfer of value will arise by the gift of an asset either in lifetime and / or on death. For most taxpayers, as stated above, their only transfers of value will arise as a result of their death.

3 The Death Estate

On death the assets owned by the deceased are valued and included in the death estate.

If a property held in the estate is mortgaged, the mortgage will reduce the property value if it is a repayment or interest only mortgage. Endowment mortgages are not deducted as they are repaid on death by the life assurance part of that mortgage. The estate should also include the proceeds of any separate life assurance policy on the deceased's life, not the market value of the policy at the date of death.

The value of the estate will be reduced by any legally enforceable debts due at that date e.g. credit card bills, plus funeral expenses and by exempt bequests.

3.1 Bequests are exempt IHT if made to:

- Spouse / Civil Partner

The "available" nil rate band is deducted from the value of the chargeable estate. The nil rate band is £325,000 in 2021/22.

The "available" nil rate band is the £325,000 reduced by the value of any lifetime chargeable transfers made by the deceased in the 7 years before death. The balance of the estate is then taxed at 40%.

For individuals dying from 6 April 2017 there is an additional residence nil rate band (£175,000 in 2021/22). The residence nil rate band is ONLY available where a "main" residence is held within the death estate and is inherited by DIRECT descendants (children / grandchildren). The examiner has stated that a question will make it clear if the residence nil rate band is available. Therefore, you should assume that the residence nil rate band is only available if there is mention of a main residence.

The value of the main residence for this purpose is after deducting any repayment mortgage or interest-only mortgage secured on that property.

If a main residence is valued (after deduction of mortgage) at less than the available residence nil rate band, then the residence nil rate band is reduced to the value of the residence.

The IHT liability has to be paid by the Personal Representatives before they get letters of probate allowing the estate to be distributed, but is anyway due 6 months after the end of the month in which the taxpayer died. The IHT is suffered by the beneficiaries, usually the residuary legatee of the estate – the person receiving the balance of the estate after any specific legacies have been paid out.

ILLUSTRATION 2

Dee Parted, a spinster (never married), died on 1st February, 2022 leaving an estate valued at £0.75M which included her main residence valued at £0.4M. She had made no chargeable transfers of value in her lifetime and now bequeathed her estate to be split equally between her nieces and nephews.

Compute the IHT liability arising as a result of Dee's death and state the date by which the liability should be paid.

Dee Parted

Chargeable Estate at Death – February 1, 2022	£'000
Net Assets	750

Chargeable Estate	750
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IHT

325,000 @ Nil	= Nil
<u>425,000 @ 40%</u>	= 170,000
<u>750,000</u>	

The residence nil rate band is not available as the main residence was not left to a direct descendant

The Personal Representatives will be required to pay the IHT liability of £170,000 by 31 August 2022 (6 months after the end of the month in which the taxpayer died). The tax will come out of the estate and hence is borne by the nieces and nephews (residuary legatees).

ILLUSTRATION 3

If in illustration 2 Dee was married at her date of death and left her entire estate to her children then as her main residence was left to her direct descendants the residence nil rate band would apply so that the IHT would now be computed as follows:

500,000 (325,000 + 175,000) @ Nil	= Nil
<u>250,000 @ 40%</u>	= 100,000
<u>750,000</u>	

ILLUSTRATION 4

As in Illustration 2 but Dee had made a chargeable transfer of value of £200,000 in June 2020.

Compute the IHT liability arising as a result of Dee's death

As the chargeable transfer made in lifetime falls within the 7 years before the date of death it will become chargeable as a result of Dee's death. It will however fall within the nil rate band of £325,000 in force at the date of death so no IHT will be payable thereon. This will however mean that only £125,000 of the nil rate band will now be available in taxing the estate at death. The IHT payable on the Chargeable Estate at Death will now be computed as follows:

IHT

125,000 @ Nil	= Nil
625,000 @ 40%	= 250,000
<u>750,000</u>	

3.2 Transfer of Unused Nil Rate Band (NRB)

If any amount of a taxpayer's NRB is unused on their death then the proportion of their NRB that is unused will transfer to their spouse / civil partner.

ILLUSTRATION 5

If in the above Illustration 2, Dee was a widow and had received all of her husband's estate on his earlier death and he had made no lifetime gifts, the husband would have made no chargeable transfers as transfers between spouses are exempt. This would mean that 100% of his nil rate band would have been unused. As Dee has then died, a claim may be made for the unused proportion (100%) of the husband's nil rate band to transfer to Dee. Thus Dee's nil rate band will now be:

$$£325,000 + (100\% \times £325,000) = £650,000$$

This will therefore allow an additional amount of tax of £130,000 (40% x £325,000) to be saved.

Note that irrespective of the level of nil rate band that existed at the date of her husband's death, Dee will now benefit from an extra 100% of the available nil rate band when she dies.

Just as any unused normal nil rate band can be transferred to a surviving spouse / civil partner, the residence nil rate band is also transferable if unused. It does not matter when the first spouse died.

ILLUSTRATION 6

If in Illustration 3 above Dee was a widow when she died and her husband had made full use of his normal nil rate band on his earlier death, then the IHT computation would be as follows:

675,000 (325,000 + 350,000) @ Nil	= Nil
<u>75,000 @ 40%</u>	= 30,000
750,000	

Lifetime transfers are either Exempt Transfers (as noted above), Potentially Exempt Transfers (PET) or Chargeable Lifetime Transfers (CLT).

4 Potentially Exempt Transfers (PET)

A PET is a lifetime gift made by an individual to another individual.

With a PET, the original assumption is that the gift will be exempt IHT. There is therefore no IHT liability at the date of the gift.

If the donor survives more than 7 years from making the gift, the PET becomes fully exempt and is ignored for IHT purposes (though it may still use up annual exemptions (see later note)).

If the donor dies within 7 years of making the gift, it becomes chargeable on the death of the donor. IHT is then payable at 40% on the value of the gift (less any available nil rate band). If the taxpayer did survive for at least 3 years, however from the date of the gift, any IHT charge is reduced by the available taper relief (see note 5 below). Any IHT payable on the PET is paid by the donee.

Where more than one PET has occurred within the 7 years before death the nil rate band is applied strictly on a chronological basis – the earlier transfers benefit first from the nil rate band!

ILLUSTRATION 7

As in Illustration 4 but Dee had made 2 chargeable transfers in lifetime of £200,000 each, the first in June 2020 and the second in August 2021.

Compute the IHT liabilities arising as a result of Dee's death.

As Dee has made PET's within 7 years of the date of death these now become chargeable along with the Chargeable Estate and the IHT may be computed as follows:

Lifetime Transfers Chargeable on Death

		<i>Gross Transfers</i>	<i>IHT</i>
June 2020	PET	200,000	nil
August 2021	PET	200,000	30,000
125,000 @ Nil	= Nil	400,000	
75,000 @ 40%	= 30,000		
<u>200,000</u>			

The £30,000 liability will be paid by the donee of the gift.

As the August 2021 PET is less than 3 years from the date of death (Feb 1, 2022), no taper relief is available to reduce the tax charge (see later note).

As the Nil rate band has been fully used on the lifetime transfers the entire chargeable estate of £750,000 will be taxed at 40% giving a further liability of £300,000 to be paid by the Personal Representatives.

It can be seen therefore that if the taxpayer survives for more than 7 years from the date of the PET, it will be both exempt in its own right and in addition will have no effect on the chargeability of either those lifetime transfers falling within the 7 years before death or on the chargeable estate itself.

ILLUSTRATION 8

If in Illustrations 4 and 7 there had been an earlier PET of £200,000 8 years before the date of death, this would be exempt and would have no effect on the amount of IHT payable on either the later PET's or on the chargeable estate.

The residence nil rate band does not apply to lifetime transfers that become chargeable as a result of the donor's death within seven years and will only be used therefore in computing the IHT payable on the death estate.

ILLUSTRATION 9

Daisy died on 13 April 2022 leaving a death estate valued at £500,000, which included her main residence valued at £360,000. Daisy's entire estate was left to her grandchildren.

On 30 June 2020, Daisy had made a potentially exempt transfer of £375,000 to her daughter.

Compute the IHT payable as a result of Daisy's death.

<i>Lifetime transfers chargeable on death</i>		<i>Gross Transfers</i>	<i>IHT</i>
		£	£
30/6/2020	PET	375,000	
325,000	@ nil		
50,000	@ 40%		20,000
<i>Death Estate</i>		£	
Main residence		360,000	
Other net assets		140,000	
Chargeable Estate at Death		500,000	
IHT Liability			
175,000	(residence NRB) @ nil		
325,000	@ 40%		130,000

The nil rate band was fully utilised by the PET but the death estate will still benefit from the residence nil rate band. If the PET had been a gift of her main residence then no residence nil rate band would have applied to the PET as it is only available where the main residence is within the estate and gifted to direct descendants. If Daisy was a widow and her previously deceased spouse had used his nil rate band but had not used his residence nil rate band then a £350,000 residence nil rate band would have been available on her death estate, if as in the illustration Daisy still owned her main residence at the date of her death.

5 Taper Relief

If a taxpayer does not survive for 7 years following the PET but does survive for at least 3 years any IHT payable on the transfer is reduced by taper relief. The relief is applied to the tax charge as follows:

Time from transfer to date of death	Relief
3 – 4 years	20%
4 – 5 years	40%
5 – 6 years	60%
6 – 7 years	80%

(This table is provided in the examination)

ILLUSTRATION 10

As in Illustration 7 but the 2 lifetime transfers of £200,000 occurred in January 2017 and June 2018 respectively.

Compute the amount of IHT payable as a result of Dee's death.

Lifetime Transfers Chargeable on Death

		<i>Gross Transfers</i>	<i>IHT</i>
January 2017	PET	200,000	nil
June 2018	PET	200,000	30,000
125,000 @ Nil	= Nil	400,000	
75,000 @ 40%	= 30,000		

As the PET falls between 3-4 years from the date of death

The tax charge may be reduced by taper relief of 20%

Less; Taper Relief (20%)	(6,000)
	24,000

As in Illustration 7 the nil rate band has been fully utilised on the lifetime transfers made in the 7 years before death so the entire chargeable estate of £750,000 is taxed at 40% giving an IHT liability of £300,000.

It can now be seen that the amount of tax that arises on either transfers made in lifetime or on death cannot be computed in isolation and is nothing to do with the circumstances of the donee, but all to do with the donor. IHT is a cumulative donor based tax.

6 Chargeable Lifetime Transfers (CLT)

A CLT is a transfer made in lifetime into a trust.

With a CLT, IHT is chargeable at the date of the gift using the nil rate band in force at that date. For transfers made before 2021/22 the relevant nil rate band limit will be provided by the examiner. If IHT is payable it should be paid 6 months after the end of the month in which the transfer was made, but if later, the 30th April following the end of the tax year in which the transfer took place.

For example tax payable on a CLT made in December 2020 will be payable by June 30, 2021, whereas if the CLT was made in June 2020 then the IHT would not be payable until April 30, 2021.

The gross rate of IHT on transfers above the nil rate band is 20% and is applied if the tax is being paid by the donee (i.e. the trustees of the trust).

If the tax is instead to be paid by the donor the transfer is said to be a net transfer and the gift has to be "grossed up" as the IHT payable by the donor effectively becomes part of the gift.

The simple solution to this problem is to apply a net IHT rate of 25% to any part of the net gift in excess of the available nil rate band at that date. The gross amount of this transfer is then computed by adding the amount of IHT to the net transfer.

ILLUSTRATION 11

Kay Babb made a chargeable transfer into a trust of £400,000 in June 2017. She has made no previous lifetime transfers. The nil rate band in the 2017/18 tax year was £325,000.

Compute the amount of IHT payable, assuming firstly the trustees paid any IHT due, and then that Kay paid any IHT due.

Lifetime Transfers Chargeable When Made

	£	Gross Transfers	IHT
CLT	<u>400,000</u>	400,000	15,000
325,000 @ Nil	= Nil		
75,000 @ 20%	= 15,000		

If Kay paid the tax the first £325,000 is still within the nil rate band but the excess £75,000 is now taxed at 25%. This tax is then added to the £400,000 to establish the gross amount of the gift:

CLT	<u>400,000</u>	418,750	18,750
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(75,000 x 25% = 18,750)

As a CLT is immediately chargeable to IHT, it goes into the donor's IHT cumulation, using up his nil band for the next 7 years.

If the donor dies within 7 years of a CLT, additional death tax may be due to top up the lifetime tax paid. The IHT liability is calculated in the same way as the tax on a PET, with credit given for taper relief and then any lifetime tax paid.

ILLUSTRATION 12

Having made the chargeable transfer of £400,000 into the trust in June 2017, Kay then died in December 2021 leaving a chargeable estate of £1M.

Compute the IHT payable on the transfer into the trust as a result of Kay's death. Assume that the trustees paid the tax payable in lifetime as shown in Illustration 11.

Lifetime Transfers Chargeable on Death

		<i>Gross Transfers</i>	<i>IHT</i>
June 2017	CLT	400,000	30,000
325,000 @ Nil	= Nil		
75,000 @ 40%	= 30,000		

(The tax charge is now reduced by any available taper relief as with PET's but also by any lifetime tax that was paid)

Less: Taper Relief (40%) (4-5 years)	(12,000)
	18,000
Less: Lifetime Tax Paid	(15,000)
Additional Tax Due on Death	3,000

If the lifetime tax paid exceeded the amount of tax now due - in this example if the CLT had been in June 2016 the taper relief would have been 60% leaving a liability of only £12,000 so that after deducting the lifetime tax paid no additional tax would be payable, but equally there would be no repayment of lifetime tax paid.

7 Lifetime Exemptions

In illustration 1 we computed the transfer of value, but in illustrations 2-11 we have been taxing the chargeable transfer figure. The chargeable transfer figure is computed by deducting the available lifetime exemptions from the transfer of value.

The following exemptions are available against lifetime gifts

- Annual exemption (AE). The first £3,000 of gift each tax year is exempt. Any unused AE is carried forward a maximum of one tax year for use after that year's own AE. The exemption is allocated to gifts on a strict chronological basis within the tax year.
- Marriage exemption. A gift in consideration of marriage / civil partnership is exempt up to certain limits. For each of the parents of the bride or groom, the first £5,000 is exempt. For remoter ancestors (e.g. grandparents) and for the parties to the marriage themselves the exemption is £2,500. For others, the exemption is £1,000.

These exemptions, firstly marriage, if available and then annual exemption(s) are deducted from the transfer of value to compute the amount of chargeable transfer.

The following exemptions, if available, will fully exempt the transfer

- Small gifts. Gifts of up to £250 per donee per tax year are exempt. However, if this limit is exceeded, the exemption is lost.
- Gifts for family maintenance. Any gifts made to maintain family members are fully exempt.
- Normal expenditure out of income. For this exemption, the donor must show a regular pattern of giving. Also the donor must have enough income left to retain their normal standard of living.

ILLUSTRATION 13

Compute the Chargeable transfer figure for each of the following lifetime transfers:

- | | | |
|-----|-------------------|---|
| (1) | 7 June 2020 | a gift to her daughter of £2,000 |
| (2) | 12 August 2020 | a wedding present to her son of £5,500 |
| (3) | 19 September 2020 | a gift to her husband of £20,000 |
| (4) | 9 July 2021 | a gift to her nephew as a wedding gift of £8,000 |
| (5) | 25 December 2021 | gifts of £200 each to two friends as a Christmas gift |
| (6) | 25 March 2022 | a gift to a trust of a valuable painting worth £100,000 |

The gift on 19 September 2020 is exempt as a transfer between spouses and the gifts on 25 December 2021 are exempt as they are covered by the small gifts exemption. The gifts on 7 June 2020, 12 August 2020 and 9 July 2021 are PET's and the gift into trust on 25 March 2022 is a CLT.

The chargeable transfer figures are then computed as follows:

	7/6/2020	12/8/2020	9/7/2021	25/3/2022
	PET	PET	PET	CLT
Transfer of value	2,000	5,500	8,000	100,000
Less: Exemptions				
AE 2020/21	(2,000)			
Marriage		(5,000)		
AE 2020/21		(500)		
Marriage			(1,000)	
AE 2021/22			(3,000)	
AE 2020/21 (b/f balance unused)			(500)	
Chargeable Transfer	<u>nil</u>	<u>nil</u>	<u>3,500</u>	<u>100,000</u>

Note: although the 2019/20 AE is unused and would be brought forward into the 2020/21 tax year, it may only be used after the 2020/21 AE has itself been fully utilised. The 2020/21 AE is not however fully used and a balance of £500 is carried forward into 2021/22 for use after that year's own AE, while the 2019/20 AE is lost.

8 Approach to Exam Questions

In an examination question the following approach should be adopted, but as this is likely to be a Section B question in addition to one or two Section A questions the requirements will themselves be explicit requiring you to focus on any or all of the steps listed below.

- (1) Compute the chargeable transfer for each lifetime gift (as per illustration 13)
- (2) If any CLT's have been made, the computation for Lifetime Transfers Chargeable When Made must be prepared (as per illustration 11). To compute any tax payable it must be ascertained who paid the tax, donor or donees, to determine the tax rate to apply above the nil rate band, 20% or 25%.
- (3) On the death of the taxpayer any lifetime transfers, CLT's or PET's made within the 7 years of death are now included in the computation for Lifetime Transfers Chargeable On Death (as per illustrations 10 and 12).
- (4) The Chargeable Estate is now established and the tax thereon computed.

In short exam questions as stated above not all of the above steps will be necessary or a Section B question will be divided into individual objective testing questions for 2 marks each. Hence the steps should be applied as applicable to the question set.

It may also be required to state by whom and by when the IHT should be paid.

EXAMPLE 1

Joe Kerr died on April 1 2022, leaving £250,000 to his wife and the remainder of his estate to his son.

At the date of his death Joe owned the following assets:

- (1) His principal private main residence valued at £300,000 upon which the outstanding repayment mortgage at the date of death was £80,000
- (2) A holiday home valued at £140,000
- (3) Bank and Building Society Deposits amounting to £230,000
- (4) ISA's with a market value of £50,000
- (5) 12,000 Shares in Joe Ltd valued at £20 per share
- (6) A life assurance policy with an open market value at April 1 2022 of £125,000 from which proceeds of £140,000 were received following Joe's death.

Joe had outstanding credit card bills of £6,000 at the date of his death and had also verbally promised to pay the medical expenses of £1,000 of a friend. Funeral expenses amounted to £6,000.

During his lifetime he had made the following lifetime transfers:

- (1) On 20 November 2015 a cash gift of £40,000 to his son on the occasion of his wedding.
- (2) On 15 July 2016 he transferred £405,000 into a trust and paid the IHT due thereon
- (3) On 8 December 2020 he gave 4,000 shares in Joe Ltd to his son. Prior to the gift Joe owned 16,000 of the 20,000 shares in Joe Ltd. Share valuations agreed with HMRC at this date were as follows:

20% shareholding	-	£8 per share
40% "	-	£12 "
60% "	-	£18 "
80% "	-	£25 "

The nil rate band from the tax year 2015/16 has always been £325,000

Compute the amount of IHT payable during Joe's lifetime and upon his death.

9 The 7 year cumulation period

In the illustrations so far, apart from illustration 8, all the lifetime transfers, both PET's and CLT's have taken place within the 7 years prior to death and have all therefore been chargeable to IHT on the death of the taxpayer. The earliest / oldest transfers within this period are first to use the nil rate band with the later transfers and / or the chargeable estate at death then being taxed at 40%.

If PET's have been made more than 7 years before the date of death they were neither chargeable when made nor chargeable on death (illustration 8) – they are exempt IHT and are ignored when looking at the 7 year cumulation period used to compute the IHT on transfers that do fall within the 7 years of death and which are therefore chargeable.

The most difficult concept to grasp, however, is how to deal with a CLT made more than 7 years before death. These transfers were chargeable when made using the nil rate band in force at that date but are not chargeable on death as the taxpayer has survived for the required 7 years.

The 7 year cumulation period, however means that when computing the IHT on either a PET or CLT made within the 7 years of death it is necessary to take account of any CLT made within the 7 years prior to it, so as to determine how much nil rate band, if any, remains to use against that transfer.

e.g. If an individual dies in January 2021 having made a CLT in June 2010, this CLT will not be taxable on the death as he survived for more than 7 years. If however he had also made a PET in August 2016 this PET will be taxable. In computing the nil rate band available to go against the PET, the £325,000 nil rate band will be reduced by the amount of the June 2010 CLT as it had been made within the 7 years prior to the PET. So even though the June 2010 transfer is itself not taxable on the death of the taxpayer it may still impact on those transfers that are taxable on death. The June 2010 CLT will cease to impact on the use of the nil rate band and thus the taxability of these lifetime transfers after June 2018.

EXAMPLE 2

Dee Ceased died on 1 March 2022 with a Chargeable Estate of £500,000 having made the following lifetime gifts:

1 October 2009	£100,000 cash to son
1 June 2010	£336,000 cash into a trust
1 September 2016	£296,000 cash to daughter

Required:

- (a) **Calculate the IHT payable on the lifetime gifts when they were made assuming that Dee paid any lifetime tax due**
- (b) **Calculate the IHT payable as a result of Dee's death.**

Nil rate bands are as follows:

From 09/10	£325,000
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10 IHT Planning

As the Chargeable Estate of the taxpayer is charged at 40% above the nil rate band it is sensible for a taxpayer to think carefully about succession planning to minimise what may be a significant IHT liability arising upon his or her death. Thus making lifetime transfers is the easiest way an individual may reduce the IHT liability that would otherwise arise upon death. This of course assumes that the individual has both the capacity and willingness to make such gifts during lifetime.

If an individual makes regular lifetime gifts to others out of his income these transfers will be exempt as normal expenditure out of income. In addition the taxpayer has available each year an annual exemption of £3,000 and may also take advantage of the marriage exemption.

Other gifts to individuals will be PET's:

- no immediate IHT liability will arise and these transfers will only become chargeable if the donor dies within 7 years of having made them
- if the individual dies within 7 years the value of the transfer is "frozen" at the time of the transfer. It is therefore beneficial to gift in lifetime those assets that are likely to increase in value over time
- if the donor survives for at least 3 years then any IHT payable thereon is reduced by taper relief

When gifts are made in lifetime, however the taxpayer must also consider any CGT implications of those gifts. A chargeable gain arises on a chargeable disposal of a chargeable asset by a chargeable person. A gift is a chargeable disposal with a gain being computed based on the market value of the asset gifted. If the asset is of course an exempt asset, such as cash, a car, or an exempt chattel, then no gain will arise.

If the asset is a chargeable asset then there will still be no CGT liability if the net gains for a tax year are covered by the AEA of the taxpayer. If gains would exceed the AEA then reliefs may be available to exempt or defer the gains from chargeability, for example the availability of PPR relief to exempt a gain or gift relief to defer a gain

These planning issues are further explored in Chapter 26.

In choosing which assets should go to which beneficiary upon death it is also important to ensure that the taxpayer takes advantage, wherever possible of exempt transfers to a spouse or civil partner and makes best use of the residence nil rate band by ensuring that a main residence, if not gifted to a spouse / civil partner is gifted to a direct descendant. rather than a beneficiary for whom the residence nil rate band is not available.

You should now review the following technical articles written by the TX-UK examining team for exams from June 2022 to March 2023

**IHT Parts 1 & 2
Finance Act 2021 - IHT section working Examples 34 - 38**

You may now attempt Practice Question 38