

## Your Legal Questions

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**Q. I am concerned about Inheritance Tax (IHT) are there any practical steps that I can take?**

A. There is no substitute for tailored personal advice but here are a few points to consider - some may be more appropriate than others.

1. Make a Will - a valid, professionally drafted, will is essential.
2. Consider gifting assets - You can gift up to £3,000 a year free of IHT or £6,000 if you didn't make a gift of this kind in the previous tax year. You can also give away 100 per cent of income, provided it doesn't affect your standard of living. Gifts to registered charities and political parties are also exempt.
3. The 7year Rule - You can make further tax-free gifts known as "potentially exempt transfers", but you must survive for seven years afterwards. You can give away most assets, including cash and shares, but these must be outright gifts from which you no longer benefit. This means you can't give away your family home and continue to live there unless you pay a market rent.
4. Set up a Trust - create a trust up to the value of the nil rate band but note that the seven year rule applies
5. Invest in Business - Consider investing in assets that attract business property relief. This includes most shares listed on AIM (Alternative Investment Market) the junior stock exchange. Holdings are free of IHT after two years, but be warned as these shares can be "extremely volatile".
6. Buy Farmland - Farmland qualifies for agricultural property relief of up to 100 per cent after two years of ownership, but you must actively work the land for "agricultural purposes" as a commercial business.
7. Take out Insurance - It is possible, but expensive, to purchase a whole-of-life insurance policy that can be used to pay your IHT bill. The policy should be held in trust to avoid the proceeds falling into your estate and increasing your IHT liability further.

Above all take professional advice which will address your individual circumstances

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