



Private Client Law Bulletin

INHERITANCE TAX - REGULAR GIFTS OUT OF INCOME EXEMPTION

This is one of the most useful, but often overlooked exemptions. For clients with significant unspent annual income, it represents an opportunity to mitigate inheritance tax on their estates, either by simply making immediate outright gifts to their family or often by funding premiums on life policies, which are written into Trust to produce a tax free lump sum on their death.

Any payments under this exemption are **immediately** free of inheritance tax. There is no 7 year survivorship requirement. The tax payer needs to demonstrate that their annual net income after allowing for the usual living expenses was sufficient to support the payment, and that the payment was part of a regular pattern of gifting.

In line with most other exemptions claimed, the Revenue is now putting tax payers to an increasingly high level of evidence and detail. When this exemption is claimed on death, a number of questions are raised by the Revenue.

As a matter of best practice we advise clients to confirm in writing to their professional advisors when they intend using this exemption. It does no harm to notify the Inland Revenue on their tax return, to avoid any dispute with the Revenue after their death, especially as clients grow more elderly and record keeping becomes more problematical.

If you require any specific advice in connection with the material contained in this bulletin, or on any other Private Client issues, please contact: Duncan Bailey in Liverpool on 0151 600 3451, Richard Bate in Manchester on 0161 836 8840 or Stephen Marriott in Preston on 01772 229 816.

If you no longer wish to receive the bulletin please let us know by return e-mail to helen.calvert@brabnerscs.com

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