

INHERITANCE TAX, TIPS AND TRAPS

Utilise the 7 year rule - if you make a gift of an asset and survive 7 years, it will not count as part of your estate for Inheritance Tax Purposes. If someone dies within 3 years of making the gift, and the value for their estate including the gift exceeds the IHT threshold tax will be due. Where death occurs between 3 and 7 years there is a partial tax saving.

Tax Trap - in some cases if you make a gift, you may have to pay Capital Gains Tax. This can lead to a difficult choice - pay tax now to save tax later? It should be noted that monetary gifts do not give rise to a CGT liability.

Consider taking out insurance cover to pay any **Inheritance Tax**. Where the main assets are, for example, a house and/or land so that there would be no cash available to pay any inheritance tax, a popular way to plan for this is to take out insurance cover for the amount of any tax which would be due.