

Wills & Probate

Inheritance Tax and Leaving Money to Charity

Whether your estate will pay Inheritance Tax when you die will depend upon its value. Currently if the estate is worth less than £325,000 (the current nil rate band) no Inheritance Tax should be payable. Inheritance Tax is payable at 40% on the value over the nil rate band.

Inheritance Tax Exemption for Gifts to Charity

If you benefit a charity or charities in your Will your Executors are able to claim charitable exemption from Inheritance Tax on the value of the gift.

Reduced Inheritance Tax resulting from Charitable Legacies

If you give 10% or more of the value of your estate to one or more charities, your Executors may be able to claim a reduced rate of tax on the rest of your estate – from 40% down to 36%.

The legislation is complex, and you should take advice to ensure the wording of your Will correctly captures the relief if you wish your Executors to be able to claim it.

Impacts on your nil rate band value

The value of your nil rate band can be impacted by lifetime gifts you made before your death.

It can also be affected by other nil rate bands that your Executors may be able to claim.

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Types of Gifts

A Specific Legacy

This is a gift of a specific item in your Will that the charity might be able to sell to receive the funds (e.g. jewellery) or use as part of their work (e.g. a house to a homeless charity).

A Pecuniary Legacy

This is a gift of a specific sum of money in your Will e.g. £1,000 to your favourite charity, or a whole list of charities you wish to support.

Residuary Estate

This is a gift of the rest of your estate (after payment of your debts and funeral expenses).

You can give the whole estate to a single charity or to be divided between a number of charities.

Or you can give a percentage of your estate to a charity or charities. As noted previously, 10% or more to charity can result in a reduced rate of Inheritance Tax for your other beneficiaries, but care should be taken as the other gifts you make in your Will, and have made during your lifetime, impact upon your Inheritance Tax position.

Next Steps

The value of your estate for Inheritance Tax purposes can be impacted by a number of factors and reliefs.

A member of our Probate Department would be pleased to provide detailed advice about your personal Inheritance Tax position.

Please telephone 01962 844544 to arrange an appointment.

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