



LEWISBROWNLEE

Inheritance Tax Planning

EXPERT STRATEGIES FOR PRESERVING WEALTH



Strong Roots. Lasting Legacy.



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PLAN TODAY. PROTECT TOMORROW.

At Lewis Brownlee Chartered Accountants, we understand that your family's future matters.

Inheritance Tax can take a significant slice of your estate - but with careful, personalised planning, you can protect your wealth for the people you care about most.



Our friendly, expert team is here to guide you through the complexities of Inheritance Tax, making it simple, clear, and manageable.

Let's plan today, so you can protect tomorrow.

From passing on your business to safeguarding your family home, we'll work with you to create a plan that reflects your wishes - and gives you peace of mind.



PLANNING AHEAD FOR YOUR FAMILY'S FUTURE

Inheritance Tax (IHT) has existed in different forms for centuries, from Estate Duty to Capital Transfer Tax, and now as we know it today. Its purpose has always been the same: to raise revenue from estates when someone dies.

Traditionally thought of as a tax only affecting the wealthy, IHT now impacts a growing number of families. Rising property values and changing rules mean that more estates than ever are at risk.

At Lewis Brownlee Chartered Accountants, we understand how important it is to plan ahead, protecting your assets and passing them on to those you care about most. Through careful and thoughtful IHT planning, we can help you take control of your financial legacy - not leave it to chance.

THE BASICS: HOW IHT WORKS

When someone dies, the value of everything they own - their home, savings, investments, life insurance not held in trust, and personal belongings - forms their estate.

The first £325,000 of your estate is covered by the nil-rate band and is taxed at 0%. Anything above that is usually taxed at 40%.



However, since April 2017, there is a further allowance available if you leave your home to direct descendants. This is the Residence Nil-Rate Band (RNRB), currently worth up to £175,000 per individual.

For married couples and civil partners, unused allowances (both nil-rate and residence nil-rate bands) can be transferred to the surviving partner, doubling the thresholds and offering even greater opportunities for tax savings.

However, large estates (over £2 million) may see the Residence Nil-Rate Band reduced or lost entirely.

Careful planning now means peace of mind later.



Estates



Heirs



Savings

WHY PLANNING MATTERS

Without the right planning, HM Revenue & Customs (HMRC) could end up being one of the largest beneficiaries of your estate. Effective planning with Lewis Brownlee can help ensure more of your wealth passes to your chosen beneficiaries, rather than the taxman.

Below is an illustration showing how much IHT could erode an estate without careful planning:

Size of Estate	Amount of Tax Payable	% of Estate Paid in Tax
£225,000	Nil	0%
£375,000	£20,000	5.3%
£1,000,000	£270,000	27%
£1,500,000	£470,000	31%

(Assumes no eligibility for Residence Nil-Rate Band or other reliefs.)

Worried about Inheritance Tax? Let's plan ahead.

Whether you're just getting started or already have an estate plan in place, our tax experts can help you reduce liabilities and protect your wealth.

- ✓ Personalised advice
- ✓ Transparent fees
- ✓ Xero & HMRC-compliant planning



Book a **FREE** introductory meeting with our experts to find out how we can help!



Recent and Upcoming Changes to IHT

At Lewis Brownlee, we believe that understanding upcoming changes is crucial to planning effectively. The government has announced major reforms affecting Agricultural Property Relief (APR) and Business Property Relief (BPR), which will take effect from **6 April 2026**.

From that date:

- ✓ A **new £1 million cap** will apply to the combined value of property qualifying for 100% APR and 100% BPR.
- ✓ This cap is **not transferable** between spouses or civil partners.
- ✓ For discretionary trusts set up **before 30 October 2024**, a £1 million allowance per settlor will also apply.
- ✓ Multiple trusts established **after 30 October 2024** will need to share a single £1 million cap between them.

This is a significant change from the current unlimited relief system and could result in much higher Inheritance Tax liabilities, particularly for farming families and rural businesses.

If you or your family hold valuable farmland, business assets, or run a trading company, now is the time to review your arrangements with our help.

Tax Mitigation Strategies

There is no 'one-size-fits-all' approach to IHT planning. Every family's situation is unique - which is why we tailor advice to your personal needs and goals.

Planning strategies might include:



Lifetime Gifts: Transferring assets while you are alive to reduce the value of your estate.



Use of Trusts: Creating structures to control how wealth is passed on, often offering IHT advantages.



Corporate Vehicles: Using company ownership to protect and manage business assets tax-efficiently.



Life Insurance Policies: Taking out insurance to cover any future IHT bill, ensuring funds are available without needing to sell assets.



Holdover Relief Claims: Deferring Capital Gains Tax when gifting certain business or agricultural assets.

We understand that giving assets away early can feel unsettling. Family dynamics, future needs, and security must all be carefully considered. We'll guide you through the process with compassion and expertise.



Understanding Lifetime Transfers and Trusts



What is a Transfer of Value?

A 'transfer of value' for IHT purposes is any action (often a gift) that reduces the value of your estate.



Potentially Exempt Transfers (PETs):

Outright gifts to individuals are usually PETs. If you survive **seven years** after making the gift, it falls outside your estate for IHT purposes.



Chargeable Lifetime Transfers (CLTs):

Transfers into certain trusts (excluding bare trusts) are immediately chargeable at 20% lifetime rate if they exceed your available nil-rate band.

Gift-giving can be a powerful tool - but it must be done carefully to avoid unintended tax consequences.

Important Considerations with Lifetime Gifts

If you're thinking of making significant lifetime gifts, we recommend considering:



Gifts with Reservation of Benefit:

If you continue to enjoy the asset (for example, living in a home you've 'given away'), the gift will remain part of your estate for IHT purposes.



Pre-Owned Asset Tax (POAT):

Introduced in 2005, POAT charges an annual income tax if you continue to benefit from an asset you have gifted.



Capital Gains Tax (CGT) on Gifts:

Gifts are treated as disposals for CGT purposes, and 'connected persons' rules (such as gifts to children) may trigger tax based on the market value at the time of the gift.

Where appropriate, we can explore holdover relief to defer CGT on gifts of business or agricultural property.

Trusts: Protecting Family Wealth

Trusts can offer a wealth of benefits, including:

- ✓ Helping children or vulnerable family members manage inherited wealth responsibly.
- ✓ Preserving wealth for future generations.
- ✓ Protecting family assets against divorce or bankruptcy claims.
- ✓ Managing tax liabilities efficiently.
- ✓ Speeding up asset transfer without the need for probate.

Whether you're considering a bare trust, discretionary trust, or trust for disabled beneficiaries, Lewis Brownlee will help you find the right solution.

Domicile and Non-UK Assets: Considerations

If you are 'domiciled' in the UK, your worldwide assets are subject to IHT.

If you are 'non-domiciled', only your UK assets (and certain non-UK residential property interests) are subject. Importantly:

Deemed Domicile:

Individuals who have been UK resident for 15 out of the past 20 tax years are treated as domiciled for IHT purposes.

From 6 April 2025:

A **new residence-based system** was introduced. Long-Term Residents (LTRs) - those resident in the UK for 10 out of the last 20 years - will be fully liable for IHT on their worldwide assets.

This could have a dramatic impact on families with international ties. We can help you navigate these complex rules to protect your global wealth.

Pensions and Inheritance Tax

The Current Position

Pensions play a major role in estate planning.

At the moment, pension death benefits are generally **free from Inheritance Tax** if passed on to beneficiaries - meaning they offer valuable opportunities for families seeking to preserve wealth across generations.

If your pension funds are left to a spouse or civil partner, they remain protected from IHT. Beneficiaries can also often access pension savings flexibly, allowing income to be drawn as needed.

Strategically, this means it often makes sense to spend other assets first and preserve pension savings for later generations.

Proposed Future Changes

The Government has proposed that from **6 April 2027**, most pension funds will be treated as part of an individual's taxable estate for IHT purposes.



If pension funds pass to a spouse or civil partner, they should still benefit from the normal IHT spousal exemption.



Pension income tax rules (especially those relating to death before or after age 75) will continue to apply separately.

These reforms are still under consultation, but we expect significant impacts for many families. It's important to review pension planning now to future-proof your estate.

Life Insurance and Inheritance Tax

Life insurance can be a vital part of an IHT strategy, particularly where it's impossible or impractical to otherwise reduce the size of your estate.

Taking out a **life insurance policy in trust** ensures that:



The proceeds are not counted as part of your estate for IHT purposes.



Funds are immediately available to cover any tax bill, preventing the forced sale of property or other assets.



Key tip:

If life insurance policies are not placed in trust, the payout itself could inadvertently increase your IHT liability!

At Lewis Brownlee, we work closely with trusted protection specialists to ensure life cover is structured appropriately for maximum benefit.

Business Relief and Agricultural Property Relief: Important Changes

Current Position (up to April 2026)



Business Relief (BR) can reduce the value of business assets by **50% or 100%** when calculating IHT.



Agricultural Property Relief (APR) applies to farmland, farmhouses, and other agricultural property, reducing their taxable value by up to 100%.

These reliefs are vital for rural families and business owners, helping prevent the forced sale of farms or businesses to pay tax bills.

Major Reforms from April 2026

From 6 April 2026:

-  A **£1 million combined cap** will apply to assets eligible for 100% BR and APR.
-  If the total qualifying property value exceeds £1 million, relief will only apply up to that limit. The excess will attract only **50% relief**.
-  The relief available for **unlisted company shares** will also reduce to **50%** rather than 100%.

Example:

If you own farmland worth £3 million and business property worth £2 million, the £1 million cap will apply proportionally across those assets. Anything above that will receive a lower level of relief.

There are also **anti-avoidance rules**:

Transfers made after **30 October 2024** but before death could still be caught under the new regime if death occurs after **6 April 2026**.

Woodlands Relief

Woodlands Relief applies to **growing timber** rather than land value.

-  It allows deferment of IHT on the timber itself until it is felled and sold.
-  The underlying land may still qualify for Agricultural Property Relief if actively farmed.

Woodlands Relief offers a valuable planning opportunity for landowners - but it needs careful management to ensure all qualifying conditions are met.

Quick Succession Relief and Taper Relief

Quick Succession Relief

If you inherit assets on which IHT has already been paid within the last five years, Quick Succession Relief can reduce the tax payable on your estate.

This prevents double-taxation where wealth passes through several hands quickly, such as if a beneficiary dies shortly after inheriting.

Taper Relief

Taper Relief reduces IHT on gifts made three to seven years before death.

If you survive:

- ✓ **3–4 years: 20% reduction in IHT**
- ✓ **4–5 years: 40% reduction**
- ✓ **5–6 years: 60% reduction**
- ✓ **6–7 years: 80% reduction**

However, **Taper Relief only applies if** the value of the lifetime gifts exceeds the available nil-rate band.

It's a valuable tool for early planners, reinforcing why starting the process now can save families significant sums later.



Planning Fundamentals: Keeping It Simple

When it comes to IHT planning, Lewis Brownlee always recommends a few core principles:

- ✓ **Be realistic:** Your lifestyle and financial security come first. Tax saving should never come at the cost of your quality of life.
- ✓ **Adapt where necessary:** Circumstances change - births, marriages, divorces, legislative updates - and your planning must be flexible enough to respond.
- ✓ **Keep it simple where possible:** Overly complicated structures often cause more problems than they solve.

Straightforward, thoughtful planning is usually the most effective!

Managing Your Plan

A good IHT plan often starts with a **properly drafted Will**. Without a Will, the law decides how your assets are distributed - and it may not be how you would have chosen.

At Lewis Brownlee, we can:

-  Review your existing Will for tax-efficiency and legal robustness.
-  Refer you to trusted, high-quality legal partners if a new Will is needed.
-  Help you balance estate protection with your day-to-day needs - including future income requirements and long-term care considerations.

Asset protection strategies can also safeguard inheritances for future generations, ensuring your wishes are carried out properly!

Your Future. Our Expertise.

Inheritance Tax planning isn't just about numbers - it's about people, families, and futures. At Lewis Brownlee Chartered Accountants, we believe your legacy deserves the same care and attention you've given to building it.

We're more than just accountants. We're trusted advisers who take the time to truly understand your circumstances, your aspirations, and your concerns.

Our difference lies in how we work:



Tailored advice: No off-the-shelf plans - every recommendation is shaped around your life and your goals.



Collaboration: We work seamlessly with your solicitors, financial planners, and family advisers.



Simplicity and clarity: We cut through jargon and make planning practical, approachable, and empowering.



Ongoing support: Your needs change, and so should your plan. We're with you for the long term.

**Your legacy is too important to leave to chance!
Call us today to Book a FREE Introductory meeting.**





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Services we offer include:

Agricultural Accounting
Audit & Assurance
Cash Flow Forecasting
Cloud Accounting
Horticultural Accounting
Inheritance Tax Planning & IHT returns
Management Accounts
Outsourced Back Office
Payroll & Benefits-in-Kind
Probate Applications & Estate Administration
Tax Planning & Returns
Trusts and Estate work
Virtual Finance Directors
Virtual Financial Controllers
Year-End Accounts

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CHARTERED ACCOUNTANTS & TAX ADVISERS

Partners in your success

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