

A comprehensive service offering

At Paish Tooth we deliver an extensive range of tax and accounting services. Alongside our traditional compliance offerings, we provide expertise in all of the following areas:

- **Succession planning**
- **Wealth Management**
- **Financial Management**
- **Profit improvement**
- **Personal tax planning**
- **Business tax planning**
- **Xero Cloud accounting**
- **Auto-enrolment**

Please just ask if you wish to discuss any of these additional service options.

A friendly team of experts

Paish Tooth is a relaxed and friendly firm with a team of 15 staff. We've been offering expert accountancy and tax advice for over 30 years. Paish Tooth is regulated by the Association of Chartered Certified Accountants (ACCA), and we also practise as Chartered Tax Advisors, authorised by the Chartered Institute of Taxation. Our drive has always been to gain an understanding of every client we work with, so that we can offer the appropriate tailored support and practical advice. We're always keen to build up strong, effective partnerships with our clients and help them achieve their full financial potential.

Get in touch!

Paish Tooth is conveniently based in Cheltenham town centre, a short stroll from the High Street, plus we have client car parking available. Please give us a call if you would like to arrange a meeting with one of the team - we'd love to hear from you!

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Or why not join us on social media:

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Download our free mobile app

The Paish Tooth app will keep you on top of the latest news and tax changes, and is packed with useful tools including calculators, tax tables, financial dates, a receipt manager and mileage tracker.



 **paishtooth**
ACCOUNTANTS & TAX ADVISORS

Inheritance Tax Exemptions



Inheritance Tax Exemptions

Inheritance tax exemptions can be a useful way of helping minimise any future inheritance tax liability. Inheritance tax is often seen as tax on already taxed income but it is in part the notional tax on the untaxed growth of assets such as property and investments on death. In a way you are swapping capital gains tax in life for inheritance tax on death!

Exemptions for lifetime transfers

There are transfers you can make in your lifetime which are exempt from inheritance tax:

1. Annual exemption - £3,000

An individual can gift up to £3,000 each tax year without incurring an IHT charge. The exemption can also be used to exempt part of a larger gift. If the individual gifts more than £3,000 in the tax year then the exemption is used first against the earlier gift. For this reason be sure to use the annual exemption before making any potential exempt transfer (PET) otherwise the annual exemption could be swallowed up by an ultimately non-chargeable PET.

Any unused part of the annual exemption may be carried forward for one tax year only. Therefore it is possible to gift £6,000 in one tax year by carrying forward the unused annual exemption from the previous tax year.

2. Small Cash Gifts - £250

An individual can gift another individual up to £250 each tax year without incurring an IHT charge. This exemption cannot be used to reduce a larger gift exceeding £250. But you can make as many gifts of £250 to as many people as you like!

3. Gifts in consideration of marriage/civil partnership

The following individuals can gift the following amounts without incurring an IHT charge:

- (i) Parent - £5,000
- (ii) Grandparent - £2,500
- (iii) The couple to each other - £2,500
- (iv) In any other case - £1,000

The exemption can also be used to exempt part of a larger gift. The gifts are also per ceremony but if the marriage does not go ahead the exemption does not apply!

4. Gifts out of income

IHT is a tax on gifts of **capital** therefore gifts out of **income** are exempt from IHT in the following circumstances:

- (i) There is a pattern of giving which is part of the donors' normal expenditure.
- (ii) The gift is made from year to year and from the income not capital.
- (iii) The gift leaves the donor with sufficient income to maintain their standard of living.

Potentially exempt transfers (PET)

The exemptions in the previous section are ignored for IHT purposes whereas PET's are only exempt if the transferor survives 7 years from the date of the gift. The gift can be to any value but must be between individuals or an individual to a disabled person's trust or an individual to a bare trust.

Exemptions for lifetime transfers and transfers on death

1. Husband and wife/civil partners

Gifts between UK domiciled spouses are exempt from IHT whether in life or on death. This exemption ceases on divorce.

2. UK and EU Charities

Gifts are exempt from IHT, this also includes community amateur sports clubs.

3. Gifts for national purpose

This includes gifts to designated bodies such as museums, art galleries, the National Trust and Universities.

How can Paish Tooth help?

Inheritance Tax is a very complex area and Paish Tooth are here to help you best plan how to minimise any potential future inheritance tax liability whether in life or in death.