A guide to IHT: Other Points of Relevance

Gifts out of regular income

This is where a regular gift can be made from a client's income without impacting on the donor's own standard of living.

Only certain categories of income count towards the definition of income, these are salary, property rental, pensions, interest and dividends. To qualify for this exemption the gift must be:

i. From income (as defined)
ii. Not adversely impacting the donor's standard of living
iii. Be intended to be regular/ongoing in nature

Drawdown pensions do not count towards this definition.

If the gifts qualify for this exemption they are immediately out of the client's estate, no seven year clock period.

Annual Exempt Gifts

Individuals have an annual allowance of £3,000 per annum, this can be carried back for one year if not used. A small amount in the bigger scheme of things but a helpful allowance to be used annually.

Gifts to Charity

As long as gifts made are to a registered charity then they are excluded from client's IHT calculation. Depending on circumstances can be relevant part of client's IHT planning.

There are many options that are appropriate to use and it is very much dependent on your own personal circumstances and objectives.

A qualified financial planner can assess your situation and review and plan what may arise in the future with regards to any IHT liability.