

## Newsletter – September 2015

### **The Family Home Allowance**

By now you will have heard about the proposed changes to inheritance tax announced in the Summer 2015 budget, as discussed in previous newsletters. This time we're reviewing what we know about the proposed changes so far.

Currently inheritance tax is charged at a rate of 40% on the value of an estate above the nil-rate band, which has been frozen at £325,000 per person (or £650,000 for married couples and civil partners) since the Finance Act 2010.

From April 2017 a new tax free allowance is being introduced, known as the 'family home allowance'. This new allowance will effectively remove the family home from inheritance tax and will help ensure that the family home can be passed onto direct descendants with minimal burden. By 2020-21 this new allowance will be worth an extra £175,000 per person on top of the current nil rate band of £325,000. This will mean that by 2020-21 married couples and civil partners may pass on up to £1 million worth of assets to their children and grandchildren free of inheritance tax.

It is important to note that this new allowance will be gradually phased in. Starting in 2017-18 the allowance will be worth £100,000 per person, £125,000 in 2018-19, £150,000 in 2019-20 and then will finally reach its full value of £175,000 in 2020-21.

For estates worth more than £2 million the family home allowance will be gradually withdrawn at a rate of £1 for every £2 over the new threshold and will be unavailable completely for estates worth over £2,350,000.

The family home allowance will be limited to only one residential property. If there is more than one residential property in the estate then it will be possible for the deceased's personal representatives to elect a qualifying property.

To qualify for the allowance a property must currently be their main residence or have been their residence at once point. Another important stipulation is that the property **must be passed on to a direct descendant**. Here a direct descendant includes children, grandchildren, adopted children, foster children or step children.

### **Probate & Estate Administration**

As you are already aware this is an area of work we as a company have already helped many of our clients with and both myself and Grahame Reynolds, our Consultant Solicitor, will be happy to answer any questions or advise you on.

We provide a full administration facility but also, and commonly used, we will help you complete all the Probate and HMRC forms should you as Executors wish to deal with the estate yourselves. Naturally there are other matters you would have to deal with but we can guide you in this too.