

# Why inheritance tax changes aren't good news for everyone

A new system will allow many families to pass on their home without paying a huge bill — but the system is complex and some will miss out

**Chris Keenan**

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RNRB is available only when the home is passed to the owner's children

DOMINIC LIPINSKI/PA

Changes to the inheritance tax system should bring down the bill for millions of families whose parents' or grandparents' estates have soared in value after years of property inflation.

However, the new residence nil-rate band (RNRB) isn't good news for everyone, as Mathew Roper, a barrister at 5 Stone Buildings, will explain at a Solicitors for the Elderly conference to be held in London next Thursday.

As a general rule, inheritance tax is paid at a rate of 40 per cent on estates that exceed the nil-rate band of £325,000 for a single person.

Married couples or civil partners can transfer unused allowances to each other on death. On April 6 an additional residence nil-rate band of £100,000 per person was introduced that will apply when a main residence is passed on, effectively increasing the threshold at which inheritance tax becomes payable. This will rise by another £25,000 for each year until 2020, reaching £175,000.

Although this change will be welcomed by many people, not everyone will benefit. The main groups that will lose out are unmarried couples and those without children. The RNRB is available only when the main residence passes to lineal descendants on death (including adopted, foster or stepchildren). It does not apply if the home is passed to siblings or nieces and nephews and may potentially discriminate against those whose children have died before them, leaving the deceased without grandchildren.

A further complication arises when a property is placed into a discretionary trust. Here, a trustee is appointed to distribute the deceased's assets as they see fit to a group of beneficiaries. As none of them will have an absolute right to the property, there is a potential loss of the RNRB because the qualifying conditions will not be satisfied.

The RNRB is also limited for people with larger estates. The allowance is reduced for estates that exceed £2 million by £1 for every £2 in excess of the limit. Geographical location could also play against you — in parts of the country where average house prices are higher, the allowance may seem less attractive.

A visit to your solicitor could help to make sure that your estate makes full use of the new exemption and any planning issues are considered. Wills should be kept under constant review to ensure changing circumstances or legislative changes don't affect the deceased's wishes.

This is a complex area of law and professionals comment that the new rules are as yet untested, so it is unclear how they will affect their clients. The rules relating to the RNRB where a person has downsized their property, or disposed of it altogether prior to their death, are

particularly complicated and it will be interesting to see how the exemption develops over the years as more case law becomes available on which to base decisions. Because of this, expert legal advice should be sought.

**Chris Keenan is the director of Solicitors for the Elderly**