

Inheritance Tax

Any gift, large or small, helps our volunteer lifeboat crews save lives. However, a gift to the RNLI could also help reduce the inheritance tax on your estate (what you own when you die). Your estate includes your house, stocks and shares, pensions, insurance policies, annual service benefits, PEPs/ISAs, and savings accounts.

The Chancellor has set the levels above which inheritance tax (at 40%, even if you only ever paid basic rate income tax before!) will be applied over the next few years: the scale rises annually from £285,000 in 2006/7 to £325,000 in 2009/10. In other words, from April 2007, your beneficiaries only stand to receive £6,000 out of every £10,000 left in your estate above the inheritance tax threshold of £325,000 (£650,000 for couples).

You may think that if you add up your investments and savings and the sum is less than £325,000, inheritance tax isn't going to affect you; but beware, your estate also includes the value of your home - not what you paid for it, perhaps decades ago, but the full market value at today's prices. In fact, about 40,000 estates a year are subject to inheritance tax*.

Most people don't realise that inheritance tax can also apply to large gifts you make up to seven years before your death. However, any gift made to your spouse or civil partner, or to a charity you care about, is free of tax. Such gifts are deducted from your estate before inheritance tax is calculated. So if these gifts reduce the value of your estate to below the threshold, it should no longer be liable for any inheritance tax. This means many people can make a significant contribution to the RNLI with less of an effect on the value of what they leave to other beneficiaries.

Of course, everyone's financial situation is different, so this guide can only provide a general outline of how inheritance tax might affect you. There are other issues that could affect the level of your inheritance tax, so you should ask your solicitor about your particular circumstances. If you have any other questions, please contact John Marshall, Legacy Enquiries Officer, on 01202 663032.

* Source: BBC website