

UK INHERITANCE TAX

Transferability of IHT NIL Rate Band

New UK legislation applies on death on or after 8 October 2007. It allows any IHT nil rate band unused on the first death of one of a couple to be transferred to the estate of their spouse or civil partner, who dies after 8 October 2007.

However, the transfer is not simply the unused amount of nil-rate band at the time of the first death. Instead it is the proportion of the unused nil-rate band on the first death that is available to enhance the nil rate band available on the second death.

For example, if on the first death the nil-rate band was £200,000 and of it £100,000 was unused, this means that half of the nil-rate band was unused. The second spouse dies in the current tax year when the nil-rate band is £325,000. Thus the second spouse's nil-rate band of £325,000 is increased by adding 50% of £325,000 (i.e. half of the current nil-rate band), so that the nil-rate band available in the second death is £487,500.

These rules apply to the entire estate of UK domiciled and 'deemed' domiciled individuals and to the UK situated assets in the estate of non-domiciled individuals.

If you would like to know more then please contact

Evelyn Corrin : evelyn.corrin@crowecw.im , John Cowan : john.cowan@crowecw.im ,
Raj Nandha : raj.nandha@crowecw.im or Elaine Rudge : elaine.rudge@crowecw.im

Crowe Clark Whitehill LLC, 6th Floor, Victory House, Prospect Hill, Douglas IM1 1EQ

Tel: 01624 627335; Fax: 01624 677225; Web: www.crowecw.im