

## Inheritance Tax And The Transferable Nil Rate Band

The Finance Act 2008 introduced the concept of the transferable Nil Rate Band. This transferable relief is intended to allow spouses and civil partners to transfer any part of the Nil Rate Band that was not used when the first spouse or civil partner died, to the survivor for use on his or her death.

The transferable Nil Rate Band is available to all surviving spouses or civil partners who die on or after 9th October 2007, no matter when the first spouse or civil partner died/dies.

### An example of how it works:

Albert died in July 2007, when the Nil Rate Band was £300,000. Albert's Will left his entire estate to his wife, Bertha. There was no Inheritance Tax payable on Albert's death due to the surviving spouse exemption. The result is that the whole of Albert's Nil Rate Band is unused.

Bertha dies in January 2008. As the Nil Rate Band on Albert's death was unused, the new provisions allow Bertha's estate to take advantage not only of the Nil Rate Band available on her own death but also the whole of Albert's Nil Rate Band. The result is that Bertha's estate benefits from a double Nil Rate Band.

If Albert had used some of his Nil Rate Band, for example by making gifts in his Will to his children, then the unused proportion of the Nil Rate Band, calculated as a percentage of the Nil Rate Band applicable on Bertha's death will be available to offset against Bertha's estate.

The transferable Nil Rate Band is not applied automatically and must be claimed by the executors. A claim will only be accepted by the HMRC with satisfactory evidence of the amount of the unused Nil Rate Band, so comprehensive record keeping is essential.

There is no doubt that the Nil Rate Band is a political football and is vulnerable to being frozen, reduced or scrapped altogether. There is certainly no guarantee that future governments will continue to support the transferable Nil Rate Band and with this in mind, consideration should still be given to other forms of Inheritance Tax planning.

For information on the effect or use of the transferable Nil Rate Band, please contact one of the solicitors in the Private Client Team at Geldard LLP, in either Cardiff or Nottingham.

GELDARDS LLP July 2008

This is a summary of the subject for general guidance only. Professional advice should be sought to take into account the application of the law to your particular circumstances.

© Geldards LLP 2008 All rights reserved

### Cardiff

Dumfries House  
Dumfries Place  
Cardiff  
CF10 3ZF  
T: 029 2023 8239  
F: 029 2023 7268

### Derby

Number One Pride Place  
Pride Park  
Derby  
DE24 8QR  
T: 01332 331 631  
F: 01332 294 295

### Nottingham

The Arc  
Enterprise Way  
Nottingham  
NG2 1EN  
T: 0115 983 3650  
F: 0115 983 3761

The members of Geldards LLP are solicitors and a list of members' names is available for inspection at the registered office (Cardiff).

Geldards does not accept service of documents by email.

Geldards LLP is a limited liability partnership registered in England and Wales.

Partnership number: OC313172  
Regulated by the Solicitors  
Regulation Authority.