What are the key Spring Budget announcements that may have an impact on my Will, Trusts or Estate Planning?

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Your Tax-Free Allowance – the Nil Rate Band

Last year's Finance Act contained provisions to increase the inheritance tax (IHT) Nil Rate Band in line with inflation from 6 April 2015. In the Autumn Statement, this was watered down when the Chancellor announced a £4,000 increase for 2015/16 to £329,000. Two months later, even this £4,000 uplift disappeared as the government revealed its plan for long-term care would, in part, be financed by a further freeze in the Nil Rate Band.

The Budget confirmed that the Nil Rate Band would be frozen at £325,000 until 2017/18.

The extended Nil Rate Band freeze makes the annual IHT exemptions all the more important.

Spouse exemption for non-domiciled individuals

The IHT exemption available to spouses and Civil Partners is limited in situations in which a UK-domiciled individual transfers assets to their non-domiciled spouse or Civil Partner. The current limit is £55,000 over the lifetime of the UK-domicile transferor.

This limit is now increased to £325,000 and will be linked to future increases in the Nil Rate Band.

Note: this increase will reduce any IHT due on the death of the UK-domiciled person (assuming they die first). Nil Rate Band Trusts would still be appropriate in this case to reduce the IHT bill on second death.

As an alternative, it will be possible for the non-domiciled spouse to make an election to be treated as domiciled in the UK. This will bring the full spouse exemption into play but at the cost of the worldwide assets of that spouse coming within the scope of IHT (currently only UK assets would be liable). It will be possible to make the election at any time and for its effects to be backdated for up to seven years (although not earlier than 6 April 2013).

Closure of 'contrived' IHT avoidance schemes

The government will ban a 'contrived' tax avoidance scheme that uses IHT to create artificial liabilities. According to HM Revenue & Customs (HMRC) Budget documents, a measure will be introduced that (in some circumstances) will restrict deductions of liabilities from deceased estates.

HMRC said: '*The measure is a response to avoidance schemes and arrangements which exploit the current rules that allow a deduction for liabilities owed by the deceased against the value of an estate regardless of whether or not the debt is paid after death. Some* *arrangements involve contrived debts which are subsequently not repaid so there is no real reduction in the value of the estate; others involve loans used to acquire assets which are not chargeable to IHT, or which qualify for a relief, so that the value of the estate is doubly reduced*.'

Will this remove the rationale for the IOU Nil Rate Band (NRB) Discretionary Will Trust or affect loans from discretionary trusts?

No, the loan arrangement from NRB Discretionary Will Trusts and our Family Trusts for death in service benefits and death benefits from pensions is unaffected. It only relates to contrived debts which are subsequently **not** repaid so there is no real reduction in the value of the estate. It doesn't, therefore, relate to the charges taken under a NRB Discretionary Trust where the charge is actually repaid out of the survivor's estate. The rules are to stop loans just being written off, rather than repaid back into the trust, and are mostly targeted at employment-related schemes such as Employee Benefit Trusts.

Clients' Testimonials

"*Thank you for all your help with setting up my Will. The process has been incredibly simple and stress free, supported by the the whole team who have been really helpful*."

Mr & Mrs Way, Buckinghamshire

Cornerstone Wills
Kings Court, 91-93 High Street,
Camberley, GU15 3RN
T:01276 482850/1