

Inheritance Tax

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Inheritance Tax	2016—17	2015—16
Nil rate band for individuals*	£325,000	£325,000
Thereafter—lifetime gifts**	20%	20%
Lower rate on death***	36%	36%
On death	40%	40%

* Unused nil rate band can be used by surviving spouse or civil partner. This band is currently frozen until April 2021.

** Increased to 40%, subject to tapering relief, on gifts made between 3 and 7 years pre death. Certain lifetime gifts are exempt. Special rules for business property.

*** A lower rate applies where 10% or more of the net estate is left to charity.

**** A new inheritance tax main residence nil-rate band (MRNRB) will be introduced from April 2017. The MRNRB will eventually allow for a £175,000 per person transferable allowance for married couples and civil partners when their main residence is passed down to children after their death. The MRNRB is in addition to the existing £325,000 inheritance tax threshold.

Years before death	0-3	3-4	4-5	5-6	6-7
% of death charge	100%	80%	60%	40%	20%

Main exempt lifetime gifts

Recurring annual gifts out of surplus income	unlimited
Annual gifts out of capital (with one year carry forward if unused)	£3,000
Small gifts (per recipient)	£250
Parental gift on marriage	£5,000
Grandparent or party to marriage	£2,500
Other gifts on marriage (per donor)	£1,000

Business Property Relief

Shares in unquoted companies (including USM/AIM stocks)	100%
Shares in quoted companies	
Shareholding up to 50%	none
Shareholding over 50%	50%
Unincorporated business or interest in a business	100%
Land, buildings, plant and machinery used in the deceased's business/company	50%

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