|  |
| --- |
| **Leicester De Montfort Law School****Legal Practice Course****Taxation****Small Group Session : Inheritance Tax** |

Outcomes

 As a result of this Small Group Session, you will be able to:

* Identify and apply the exemptions available for lifetime transfers and transfers on death
* Calculate the IHT payable on death, lifetime chargeable transfers and potentially exempt transfers

Materials and Preparation needed

In preparation for this Small Group Session, you must:

* Listen to the two on-line Lectures (Taxation Lectures 10 and 11) relating to inheritance tax
* Read the chapter on Inheritance Tax in the online Legal Foundations Manual
* Complete the Pre-session Quiz Questions and compare your answers to those provided online.
* Prepare answers to the following 3 questions and bring them to the Session with you
* Bring a calculator

# Note to students

* Following the Small Group Session, you should review the work which you covered during the Session. There is no consolidation question for IHT as we will study this again in Wills and Administration of Estates.

## Question 1

**Prepare an answer to the following question.**

1. On 1 October 2019 Henry gives £350,000 cash to his daughter Isabelle.
2. Is any IHT due when this gift is made?
3. Henry dies on 4 June 2022. (He is survived by his wife.) He made no transfers in the 7 years before his death other than the one to Isabelle. Is any IHT payable on the gift to Isabelle at this point and if so, how much?
4. Would your answer to (ii) be different if the gift had been made on 1 October 2017? If so, how much tax would be payable?

**Question 2**

**Prepare an answer to the following questions.**

Mary died on 15 May 2022, with an estate valued at £375,000, including her home worth £175,000. She left her entire estate to her 2 children in equal shares. Mary was divorced from her husband 20 years ago and never remarried.

Before she died Mary made the following gifts:

a) On 1 September 2020 £7,000 to her son Peter on his wedding

b) On 10 September 2020 £100 to each of her 4 godchildren

c) On 10 June 2021 £350,000 to her daughter Sarah to enable her to buy a flat

d) On 2 July 2021 5,000 shares in an unquoted trading company, that she had owned for 5 years, to her nephew Liam. The shares are worth £50,000. (Liam still owns the shares at her death).

**How much, if any, IHT is due now on these gifts?**

**If any is due, who is liable to pay it?**

**How much IHT is payable by Mary’s Personal Representatives on the estate?**

**Question 3**

Mr Smart, a widower, made a gift of £100,000 cash to his daughter on her marriage in June 2020. He did not make any other lifetime gifts either before or after this.

He died just over 2 years later leaving an estate valued at £600,000. (None of the assets qualify for any reliefs). In his will he left a legacy of £30,000 to the charity Oxfam, with the residue, including his home worth £400,000 being left to his daughter.

You should note that when Mrs Smart died some years ago, her nil rate band was entirely used up by a cash gift to her daughter. Her residence nil rate band remained intact. The rest of her estate was left to Mr Smart.

**Calculate the IHT payable when he dies.**

Work out the tax position on the PET first, then work out the inheritance tax position on the death estate.

It will help you to follow the steps set out in Audio Lecture 10 in relation to the tax on the estate and Audio Lecture 11 in relation to the tax on the PET.