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How to save Tax

HAYES + STORR Solicitors & Notaries

Any Inheritance Tax saving scheme that looks 'too good to be true' almost certainly is. There is a politician-lead crackdown on tax avoidance scheme. This is more aimed at the super-wealthy than the man in the street with money in the bank or a house that is worth a bit, but impacts on them too.

Whatever you own, or once owned but still enjoy the benefit of, as well as anything you have given away in the last 7 years is fair-game for the taxman when you die. I have written articles on using the various small annual exemptions and allowances in the recent past and those used consistently are beneficial.

Joking apart, spending is a good way of saving tax but spending too much can leave you financially-stranded at the time when you are most vulnerable.

Trusts are useful but are not a universal panacea. What might work to protect assets from being assessable for the cost of care might well not work for tax-planning. Social Services and the Local Authority apply different tests to those of the taxman.

Inheritance Tax is saved for the benefit of one's heirs and of course a solicitor has to be very clear who their client is. The solicitor's duty is to their client and not to the wider family (other than in a very secondary way).

Giving your house to your children only 'works' for Inheritance Tax planning if there is no 'gift with reservation of benefit', which generally means that you need to pay a market rent; whereas, an asset protection trust (where your children own your home but allow you to live there rent-free) can still work for care fee protection if you do it long enough before nursing or other care is required. It all depends on intention at the time of the gift and is looked at together with all the facts and circumstances. This may change in the future as the cost of care spirals ever upwards and Local Authorities have less money to go round to spend on care of the elderly. Norfolk is particularly as risk of having to take a tougher line as we have a higher than the national average proportion of older people.

Remember always that it is only when you are worth more than £325,000 (or £650,000 in the case of a married couple, or civil partners) that Inheritance Tax will be paid on your death.

There is no one-size-fits-all answer. Advice must be tailored to the individual and their family and finances. Even hard-bitten tax advisors appreciate that schemes which save tax, but at personal inconvenience, are often not the answer. The important thing is to take advice early while you still have the health and energy to implement arrangements, to do this before a care home becomes anything close to a reality, and (using your crystal ball) more than 7 years before you die.

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If you require advice on this matter please contact Miranda on 01328 710210. If you require advice on any other legal matter please telephone our Wells office on 01328 710210 or email law@hayes-storr.com.