

Research shows majority of Britons in the dark about inheritance tax rules

New research shows that more than 60% of people in the UK over the age of 50 have not sought advice about inheritance tax (IHT) planning, and that number rises to over three quarters in Scotland. This despite the fact that the UK IHT threshold now kicks in at a level which will catch many more people than ever due to booming property prices in recent years.

The research also shows that only a quarter, (26%), of people questioned were able to correctly identify the IHT threshold as £300,000; in Scotland, this fell to only 1 in 6 (16%) people.

Inheritance tax is calculated using the value of a person's estate when they die - that is the value of everything they own, including property, possessions and savings.

For most people their house will be a large part of that value. The Chancellor increased the threshold above which inheritance tax is payable by 3% earlier this year, but in 2003 alone the average national increase in house price was 15.5% and it is expected to rise at 15% throughout 2006 (although a slow down in price rises now seems likely).

This rapid rise in property values is forcing the value of some personal estates above the £300,000 IHT threshold, potentially leaving family members or beneficiaries liable to a 40% inheritance tax bill (although the basis and rate of tax could change in the future).

The recent announcements by the Chancellor have indicate that it will now be automatic, rather than by planning, that in the case of souses or civil partners two zero rate bands may be more easily used there is also an expected combined increase to a £700,000 zero rate band.

Alec Collie, Financial Services Manager for Dunfermline Building Society, which carried out the research, said: "People are now becoming aware of the potential problem. It is staggering just how many people could now be liable for inheritance tax, given the recent boom in the housing market. Many people who were not liable to IHT a couple of years ago may well be affected now and need to take action or potentially face IHT."

This column was first published in Investment International Magazine.