

Inheritance Tax

Deed of variation review to ensure they do not foster tax avoidance

The Government is to review what the Chancellor described as attempts to avoid inheritance tax (IHT) through the use of a deed of variation, and wants to ensure they do not foster tax avoidance. A deed of variation is used to rearrange Wills, and the most common rearrangements are disclaimers and written variations.

When people don't keep their Will up to date, or don't have one at all, a deed of variation is a very useful tool to support families in tidying up what happens after a loved one dies. It can also result in less IHT being due.

In the event that somebody dies without a Will, for example, a deed of variation may ensure a widow/widower can stay in their home.

A deed of variation allows beneficiaries to alter a Will after death so that, for example, part of the inheritance is re-directed to someone else. Currently a deed can be made within two years of death, and all beneficiaries under the Will must agree to the variation.

In the event that the deed of variation is abolished, this could also have the unfortunate consequence of stopping inheritances being diverted to charities as they are frequently used to minimise inheritance tax by redirecting assets to UK registered charities.

In making the announcement, Mr Osborne said the review will take 'a wide range of views', including that of the leader of the opposition. It will report by autumn and will look at cases where individuals use deeds of variation to alter a Will in order to pass bequests on to their children, thereby removing sums from their estate for IHT.

The review forms part of a wide-ranging clampdown on tax avoidance and evasion, set to raise an additional £3.1 billion for the Treasury.

BUDGET 2015 ACTION POINT

If you are dealing with a family member's estate and are thinking about its distribution, you should consider acting now, in case deeds of variation become less flexible later in the year. You should obtain professional advice before taking any action.

ARE YOUR FINANCIAL PLANS STILL ON TRACK AFTER BUDGET 2015?

There may have been a number of key announcements in Budget 2015 that will impact on your financial plans. If you would like to review your current situation to ensure that your plans are still on track, please contact us.

Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from, taxation are subject to change. Tax treatment is based on individual circumstances and may be subject to change in the future.

Although endeavours have been made to provide accurate and timely information, Kubera Wealth Limited cannot guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough review of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions.