



Crowe Clark Whitehill LLC™

UK INHERITANCE TAX

Transferability of IHT NIL Rate Band

New UK legislation applies on death on or after 8 October 2007. It allows any IHT nil rate band unused on the first death of one of a couple to be transferred to the estate of their spouse or civil partner, who dies after 8 October 2007.

However, the transfer is not simply the unused amount of nil-rate band at the time of the first death. Instead it is the proportion of the unused nil-rate band on the first death that is available to enhance the nil rate band available on the second death.

For example, if on the first death the nil-rate band was £200,000 and of it £100,000 was unused, this means that half of the nil-rate band was unused. The second spouse dies in the current tax year when the nil-rate band is £325,000. Thus the second spouse's nil-rate band of £325,000 is increased by adding 50% of £325,000 (i.e. half of the current nil-rate band), so that the nil-rate band available in the second death is £487,500.

These rules apply to the entire estate of UK domiciled and 'deemed' domiciled individuals and to the UK situated assets in the estate of non-domiciled individuals.

If you would like to know more then please contact

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