

## Tax Tip – Wills & Estate Planning, a New Year Resolution?

Apparently Daniel Defoe first wrote about the certainty of death and taxes in 1726. Despite this, statistics show that only a third of adults die leaving a Will and so their family and beneficiaries are left with more work, uncertainty and having to follow the legal rules of intestacy.

There is no point in going into the details of the intestacy rules here because we are not lawyers and we would encourage all our clients to make a Will in any case. However, it is significant that if an individual's estate exceeds £250,000 in value (apart from personal possessions) then that excess does not automatically go to their spouse or civil partner but has to be shared equally with any children. This will come as a surprise to many spouses!

Even when an effective Will has been made it does not follow that all the possible tax benefits have been secured. Once an individual's estate exceeds £325,000, then any excess will be taxed at 40% unless tax reliefs and exemptions are used. There are very valuable tax reliefs for business assets, but these have conditions that may be challenged by HM Revenue & Customs when someone dies.

### Farm Business Example

For instance, a farm business can be passed down to the next generation without any inheritance tax being payable, but not all farms consist of solely business assets. Many farmers have diversified their operations to improve income, such as converting farm buildings into commercial or holiday lettings. These let properties do not generally qualify for business asset relief and finding 40% inheritance tax to pay on the value of a building may put unexpected financial stress on the beneficiaries.

### Ellacotts' Experience

We have seen many examples of inheritance tax arguments over deceased estates but we have much experience in ordering individual's affairs so as to minimise tax burdens. Examples of steps that some of clients use include, lifetime gifts, transfers of assets into trust, taking out life assurance policies and restructuring business ownership. There is much that can be done but this usually requires some longer-term planning.

In summary, we recommend that:

- You make a Will
- You review the Will whenever there is a significant change in circumstance (marriage, children etc)
- You ensure that the Will covers all of your assets, including business interests
- You check with a tax specialist that you have optimised the use of tax reliefs and exemptions, especially those available for business assets
- You take steps during your lifetime to mitigate inheritance tax liabilities (eg transfer of assets and business succession)
- You put in place methods for business continuity (eg shareholder agreements and protection insurance) and the means to pay any inheritance tax arising.

For further advice and information on how you can make tax savings, contact Alan Boby on 01295 250401 or email [aboby@ellacotts.co.uk](mailto:aboby@ellacotts.co.uk)

**DISCLAIMER - PLEASE NOTE:** The ideas shared with you in this email are intended to inform rather than advise. Taxpayer's circumstances do vary and if you feel that tax strategies we have outlined may be beneficial it is important that you contact us before implementation. If you do or do not take action as a result

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of reading this newsletter, before receiving our written endorsement, we will accept no responsibility for any financial loss incurred.

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