INHERITANCE PLANNING COMPANY

How Charitable Gifts Can Reduce Your Inheritance Tax

Leaving gifts to charity in your will is a meaningful way to support the causes you care about while reducing your estate's inheritance tax (IHT) liability. By incorporating charitable donations into your estate planning, you can maximise the impact of your legacy while benefiting your heirs.

The Tax Benefits of Charitable Giving

1. Inheritance Tax Reduction:
o Gifts to registered charities are exempt from IHT, regardless of the amount.
2. Lower IHT Rate:
o If you leave 10% or more of your net estate to charity, the IHT rate on the remaining estate is reduced from 40% to **36%**.

Example: How It Works

Emma's Estate:
Emma's estate is valued at £750,000. Without charitable giving, her estate would incur £170,000 in IHT.

• By leaving £42,500 (10% of her net estate) to a registered charity, the IHT rate on the remaining estate drops to 36%.
• This reduces her estate's IHT bill to £135,000, saving £35,000 while supporting her favourite cause.

Types of Charitable Gifts

1. Cash Donations:
o Leave a fixed amount to your chosen charity.
2. Specific Assets:
o Donate valuable items, such as property, artwork, or shares.
3. Residual Gifts:
o Donate a percentage of your estate's remainder after all other gifts have been distributed.

Key Considerations

1. Choose the Right Charity:
o Ensure the organisation is a registered charity to qualify for IHT exemptions.
2. Include Precise Instructions:
o Clearly state the charity's name and the intended gift in your will to avoid disputes.
3. Seek Expert Advice::
o Complex estates may benefit from professional guidance to ensure the gift's tax benefits are maximised.

A Case Study: Legacy and Tax Savings

The Taylor Family:
Mr. Taylor left £50,000 to a local charity in his will. By doing so, he reduced the IHT rate on his estate, saving £20,000 in taxes and providing significant support to his community. This strategic decision allowed him to leave a larger net inheritance to his children while supporting a cause close to his heart.

How We Can Help

At the Inheritance Planning Company, we assist in creating tax-efficient wills that incorporate charitable giving:

- Identifying charities and structuring gifts to maximise tax benefits.
- Ensuring gifts are clearly defined in your will to avoid complications.
- Providing personalised advice on the best way to balance your legacy.

Leave a Lasting Impact

Contact us today to learn how charitable giving can reduce your inheritance tax and create a legacy that reflects your values.

Disclaimer:

This information is correct as of September 2024. Legal updates or changes may have occurred since then. For the most current advice, please contact **Inheritance Planning Company Ltd** at:

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