

## Basics Of Inheritance Tax

Most people neglect to think of inheritance tax. It can be complicated to understand and unpleasant to learn. But, when the time comes to consider the items you'll leave behind to your children or loved ones, understanding the issue may quickly become a priority. Inheritance tax is basically a tax applied by the government to a deceased person's estate. It is essentially the last opportunity the government has to extract a final tax from a person. That's why it's important to understand the basics of inheritance tax.

**Thresholds And Tax Estate** Inheritance tax is applied on the balance of an estate over a defined threshold. The threshold is determined by marital filing status and is occasionally adjusted to reflect changes in the economy. For example, married couples have a threshold (at the time of this writing) of £624,000. If the couple's estate is cumulatively worth £1,000,000, the inheritance tax would be applied on the balance between the estate's valuation and the couple's threshold (£376,000). Understanding how this works is the first step in planning to minimize the tax on your estate.

**Understanding Deductions And Exemptions** There are many types of deductions that can reduce the amount of inheritance tax levied against your estate. For example, gifts valued up to a certain amount (currently £3,000) may be deducted from your estate's value each year. Political donations and assets given to a charity that is registered in the UK can also be deducted. A number of exemptions are also available. The government allows gifts of up to £5,000 to be given to each of your children as a wedding gift. Similarly, £2,500 can be given as a wedding gift to each grandchild (£1,000 can be given to anyone else as a wedding gift). These exemptions (there are others) reduce the value of your estate.

**Help With Minimising Inheritance Tax** While comprehending the basic concept of inheritance tax is simple, it's difficult to keep up with adjustments to thresholds and changes in the law regarding deductions and exemptions. Consult with a financial advisor. An experienced advisor can help you build a long-term plan to either minimise the inheritance tax on your estate or eliminate it altogether. Without professional financial guidance, your estate could be vulnerable to one final devastating tax from the government.

## About the Author

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