

## Ask the experts

We answer your financial queries



**Q:** I'VE HEARD THAT IF YOU GIVE MONEY TO CHARITY IN YOUR WILL, INHERITANCE TAX ON THE BALANCE OF YOUR

ESTATE IS REDUCED BY 10% – IS THIS THE CASE?

**A:** Yes, that is correct, although inevitably it is not entirely straightforward!

For anyone dying after 5 April 2012, where the deceased leaves 10% or more of their estate to charity in their will, the rate of inheritance tax paid is reduced from 40% to 36%. Essentially, if an individual intends to leave 4% or more of their net (after the nil-rate band and certain other reliefs) estate to charity, he or she should consider increasing the size of the gift to 10%, as doing so would mean that the charity gets more and beneficiaries receive no less.

While on the face of it this seems simple, the reality is a little more complex, as the estate on death is divided into three separate components (very broadly: joint property, trust property, and the remainder) with each component independently tested to see if it meets the 10% gift to charity criteria, with the 36% rate being granted where a component qualifies, irrespective of whether or not the other components qualify.

It is also worth noting that it is only charitable gifts on death that count towards the 10% and not gifts made during an individual's lifetime.

For those individuals who have included charitable gifts in their wills, it may be worth speaking to their solicitors again to review their wills, as a small increase in the size of the gift to charity may bring a disproportionate benefit. A competent lawyer in this area will have a form of words that ensures that the complicated calculations are taken account of and that an individual's intentions actually come to fruition on death.

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