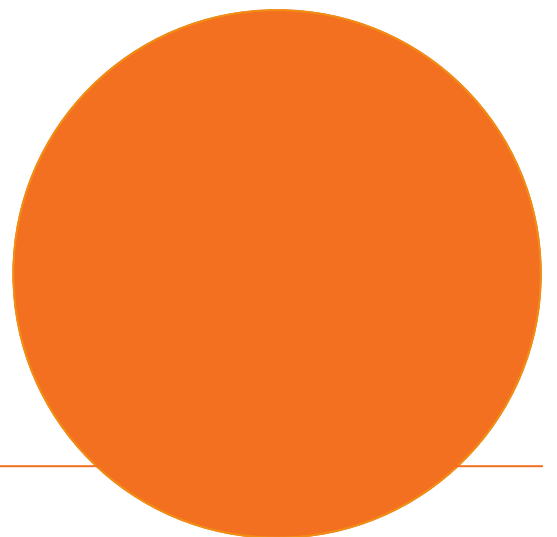


Tax Efficient Giving

An Introduction



An introduction to Tax Efficient Giving

There can be many motivations in life for wanting to make a gift to someone; the desire to save tax or to protect your assets, or to create a lasting legacy for someone. Whether you want to reduce the amount of inheritance tax payable on your death or not, there are important tax considerations to take into account.

Reducing your inheritance tax exposure

If you are able to give away cash or assets (for example, to your children or grandchildren) and survive seven years, then the gifted assets will be outside your estate for inheritance tax purposes on your death.

However, you must not in any way continue to use or benefit from the gifted assets as this would be a "gift with reservation of benefit" and will not reduce your taxable estate.

Using your inheritance tax allowances

Everyone is able to give away up to £3,000 each year without having to survive seven years. This is the inheritance tax annual allowance. If you didn't use your allowance in one year, you can carry it forward to use in the next year. There are other useful allowances which work in the same way and circumstances dictate when they will be useful, for example, you can give away £5,000 to a child in anticipation of their wedding.

Don't forget the nil rate band

Everyone has an inheritance tax exemption which is the first slice of your estate that is not subject to inheritance tax on death. Until 2015, this is £325,000. If you leave £325,000 on your death to someone other than your spouse, you will use up this allowance but inheritance tax should not be payable. If you leave all your assets to your spouse, then your unused allowance will be carried forward and can be used on your spouse's subsequent death.

Create a trust or two

If you want to give assets away to your children or grandchildren now, but want to postpone the time at which they get access to the funds, then creating a trust is the ideal solution. Provided you do not put more than the nil rate band into the trust, then there should be no inheritance tax to pay when the trust is established. If you would like to give away more than the nil rate band, then you could create a trust every seven years. For a more detailed explanation about trusts see our brochure "[An Introduction to Trusts](#)".

Regular gifts out of income

It is possible to establish a pattern of giving which you do not have to survive by seven years. If you have income each year that you do not use and you can afford to make regular gifts of this income either outright to your chosen beneficiary or into a trust, then you can rely on the "regular gifts out of income" exemption. This method has become more popular in recent years and it is designed to prevent your estate from increasing, thereby managing your inheritance tax exposure.

How can we help you ?

We can help you make an inheritance tax saving plan – a system tailored for you and setting out how to reduce your inheritance tax exposure on death to an acceptable level.

We can take you through the process of creating a trust. We pride ourselves on making complicated issues straight forward and understandable.

To rely on the regular gifts out of income exemption requires a certain degree of planning to ensure you fall within the rules. We can put a system in place to help you achieve this.

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Innocent wins
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*Legal 500 Clients' Guide to
the Legal Profession 2010*

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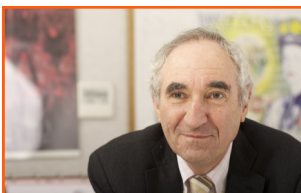
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Services for individuals include:

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- efficient administration of estates
- creation and administration of trusts and charities
- trust and estate dispute resolution
- family issues, including:
 - marriage and cohabitation (pre-nups/post-nups/cohabitation agreements)
 - relationship breakdown (divorce/civil partnerships dissolution and financial settlement)
- our specialist children's unit dealing with residence and contact, adoption and surrogacy, international child abduction and children disputes
- residential property
- employment law advice
- reputation management and defamation



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