

## PCC Guide to Inheritance Tax (IHT)

---

### What is Inheritance Tax?

Inheritance Tax (IHT) is a tax on a person's estate that is left behind after he or she has died. The estate includes money, property and possessions. IHT is therefore a tax on the transfer of assets from one individual to another.

IHT is only owed if the value of the deceased's estate exceeds the Inheritance Tax Threshold (£325,000 in 2016 tax year), when he or she dies. The Executor or Personal Representative usually pays the tax from the deceased's estate within 6 months after the death.

### Gifts that are Exempt from Inheritance Tax

You can make gifts to certain people and organisations without having to pay Inheritance Tax. An estate doesn't have to pay IHT on gifts given to charities, universities, museums or community amateur sports clubs. Since 2007, married couples or civil partners can pass on their possessions and assets completely tax-free to their surviving partner.

More information can be found at <https://www.gov.uk/inheritance-tax/overview>

### How are Charities and Churches Exempt from IHT?

Gifts left to charities (also referred to as legacies) are exempt from IHT. All Charities have an HM Revenue and Customs (HMRC) charity reference number. This exempts them from paying tax on any gifts they receive. Therefore, leaving a legacy to a charity is non-taxable.

Legacies left to the Church of England's 16,000 churches are also exempt from IHT as all Parochial Church Councils (PCCs) are charities. However, PCCs with income under £100,000 are excepted from registration with the Charity Commission, and consequently do not have a Charity Number.

Please note that for the purposes of the Will, a HMRC charity reference number is not applicable, nor is a Registered Charity Number (unless the PCC has an annual income over £100,000 as per above).

It is also worth noting that Inheritance Tax achieves the same end as Gift Aid. A charitable gift in a Will to any Church of England church is entitled to exactly the same financial benefits as a registered charity, including exemption from inheritance tax and therefore you cannot claim Gift Aid on any legacy gift received, either cash or residual.

## Reducing your Inheritance Tax Bill

Since 6<sup>th</sup> April 2012, if you leave 10 per cent or more of your estate to charity, the tax due may be paid at a reduced rate of 36 per cent instead of 40 per cent.

In order to qualify for the reduced rate you must leave at least 10 per cent of the net value of your estate to a qualifying charity/charities. The net value of your estate is the sum of all the assets after deducting any debts, liabilities, reliefs, exemptions and the nil-rate band.

A qualifying charity is an organisation that's recognised as a charity for tax purposes by HMRC. You can check this by asking the charity to confirm that it has an HMRC charity reference number. Please note the vast majority of churches will claim Gift Aid and therefore have a HMRC charity reference number.

For further information please visit HMRC

<https://www.gov.uk/inheritance-tax/giving-to-charity-to-reduce-an-inheritance-tax-bill>