

## **Paul Robbins** training and consultancy

### **Personal Tax**

#### **Inheritance Tax on Death**

#### **Worked Example Model Answer**

***Billy died and left an estate which was valued at £850,000. He had not made any lifetime transfers.***

***In his will, he left £400,000 to his wife and £8,000 to charity, with the balance of his estate to be divided equally between his two children.***

#### **Task**

***Calculate the amount of Inheritance Tax payable.***

***Calculate how much money each of Billy's two children will receive.***

**Calculation of Inheritance Tax – Billy**

<b>Total value of estate</b>	<b>£850,000</b>
<b><u>Less:</u> exempt transfers</b>	
<b>To his wife</b>	<b>(£400,000)</b>
<b>To charity</b>	<b>(£8,000)</b>
<b>Sub total</b>	<b>£442,000</b>
<b><u>Less:</u> nil rate band</b>	<b>(£325,000)</b>
<b>Chargeable to Inheritance Tax</b>	<b>£117,000</b>
<b>Inheritance Tax (£117,000 x 40%)</b>	<b>(£46,800)</b>

**Calculation of Amount Due to Billy's Children**

<b>Total value of estate</b>	<b>£850,000</b>
<b><u>Less:</u> transfers to Billy's wife and to charity</b>	<b>(£408,000)</b>
<b><u>Less:</u> Inheritance Tax</b>	<b>(£46,800)</b>
<b>Balance of estate to be shared between Billy's children</b>	<b>£395,200</b>

**Billy's children will each receive £197,600 (£395,200 / 2)**