

# Pitfalls and problems for high value estates



Sally Johnson

The Residence Nil-Rate Band (RNRB) was introduced on 6 April 2017 and has now risen to £125,000. It can be claimed by those whose estate, on death, included a property which was their main residence, and one or more of the beneficiaries are 'direct descendants'.

Sally Johnson, solicitor specialising in Wills, Trusts and Probate at Jackson Lees based at Heswall comments: "For many, the introduction of the RNRB allowance meant less inheritance tax would be payable on the value of their estate when they died. Leaving everything to their spouse/civil partner seemed, therefore, like the most logical thing to do as when they die, provided they leave their estate

to their direct descendants, their executors would be able to claim the first spouse/civil partners unused tax allowances. Based on the current allowances this could provide a married couple/civil partners with a combined tax free allowance of £900,000."

## The pitfalls

People whose estates are valued at more than £2 million may find that they do not see all or any benefit of the RNRB allowance, particularly if they elect to leave their estates to each other.

The RNRB allowance is reduced by £1 for every £2 that a net estate exceeds £2 million in value. However, there are options available which can potentially preserve a couple's entitlement to the RNRB allowance. Switching ownership of a property to Tenants in Common allows each spouse/civil partner to control how their share in their property passes on death.

Wills can then be prepared to leave their share of the value of the property up to the value of their available RNRB, to their direct descendants i.e., children, on the first death. The benefit of this would

be that it would allow the RNRB allowance to be utilised on the first death as well as reduce the value of the assets in the estate of the surviving spouse/civil partner.

On the second death, if the value of the estate is now below £2 million, they would benefit from another RNRB allowance or a proportion of it, or, even if the RNRB can't be claimed, their family will have benefitted from at least one allowance which may otherwise have been lost.

Sally continues: "Utilising trusts in Wills can also assist in further reducing the value of the surviving spouse's/civil partner's estate so as to increase the chances that their total estate on their death will be below £2 million. The specialist knowledge of our team at Jackson Lees can advise you in relation to the various trust arrangements, taking into account the size of your estate and your personal circumstances."

**If you would like to talk to one of our specialist advisers about the RNRB and how this may affect your estate, please call us free on 0808 256 4659 (free to call from mobiles) or email [enquiry@jacksonlees.co.uk](mailto:enquiry@jacksonlees.co.uk) or visit [www.jacksonlees.co.uk](http://www.jacksonlees.co.uk)**

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