



BIRKENHEAD SCHOOL ENDOWMENT FUND

MANAGED BY THE OLD BIRKONIAN SOCIETY

Inheritance Tax Examples.

Leaving a legacy in your will can be a tax-efficient way of supporting the School whilst providing for your beneficiaries.

The sum total of all charitable gifts may be deducted from your liable estate, reducing your liability to inheritance tax, as has been the case for many years.

However, a more recent provision reduces the rate of tax on the remaining estate to 36% where more than 10% of the net estate has been left to charitable causes. As in the illustration below, based on an estate of £1million, you could leave more to your beneficiaries by increasing your charitable legacies above the 10% threshold:

Gifts to charity as percentage of net estate	0 %	5 %	10%
Nil-rate band	£ 325,000.00	£ 325,000.00	f 325,000.00
Liable (net) estate after gift deducted	£ 675,000.00	£ 641,250.00	£ 607,500.00
Inheritance tax rate	40%	40%	36%
Tax payable	£ 270,000.00	£ 256,500.00	£ 218,700.00
Amount to charities	£ -	£ 33,750.00	£ 67,500.00
Amount to beneficiaries	£ 730,000.00	£ 709,750.00	£ 713,800.00

The total "cost" of a transformational gift of £67,500 to the School could be as little as £16,200.

Note: The Summer Finance Bill 2015 set out a gradual increase in the nil-rate band for the main family residence, to take full effect by 2020, but this will only be available in a limited range of circumstances and where the total estate is below a certain threshold. It is not, sadly, the blanket raising of the nil-rate band which was presaged in the media, and so charitable giving could remain an important part of your tax-planning.