

Inheritance Tax FAQs



Introduction

Inheritance Tax (IHT) can feel like a daunting prospect and many people find themselves feeling punished for having accumulated wealth and assets over their lives.

As IHT expands and pulls more estates into scope, it is natural that the number of questions and concerns around this once niche tax has risen. While the best approach to handling IHT is to seek professional financial advice, we have put together a useful factsheet that will help you understand IHT.

What is Inheritance Tax?

IHT is a 40 per cent tax charged when a person's estate passes to their beneficiaries on death.

Is every estate subject to Inheritance Tax?

Not every estate will be valuable enough to qualify for IHT and only the amount valued above the threshold will incur the tax. For the 2026/2027 tax year, the standard threshold is £325,000, but the threshold can rise to £500,000 if passing a home to children or grandchildren. This can further increase to £1 million for married couples.

Who has to pay Inheritance Tax?

Some of the value of the estate will be used by an executor or administrator to pay the IHT bill. Beneficiaries generally do not directly pay IHT.

When is Inheritance Tax due?

After a person has died, the IHT bill must be paid in full within six months. Interest is applied after this point if payment is not made and penalties can be imposed as well.

Is there a way to reduce Inheritance Tax?

Once the IHT has been determined, there is no way to reduce it. The only way that IHT exposure can be managed is through the careful structuring of an estate during a person's lifetime. This will generally take the form of transferring assets beyond the scope of IHT, disposing of them or gifting them.

How does gifting work to reduce Inheritance Tax exposure?

While there have been many changes to IHT over the years, gifting has been largely unaffected. This means that it remains an effective way of reducing IHT and even negating it entirely. Gifts given more than seven years prior to your death will generally be outside the scope of IHT and those given in the interim years will be taxed at a tapered rate. The current rates are:

Years between gift and death	IHT rate on the gift (above NRB)
Less than three	40 per cent
Three to four	32 per cent
Four to five	24 per cent
Five to six	16 per cent
Six to seven	8 per cent
Seven or more	0 per cent (Exempt)

Do Agricultural Property Relief (APR) and Business Property Relief (BPR) still lower Inheritance Tax obligations?

The 2026 tax year sees the introduction of a £2.5 million combined cap on the 100 per cent relief provided by Agricultural Property Relief (APR) and Business Property Relief (BPR). Any value above this cap will instead qualify for only 50 per cent relief.

Is my pension included in Inheritance Tax calculations?

You may have heard that pensions, once entirely excluded from IHT, will be brought into scope for future IHT calculations. April 2027 will see this happen, so it may be worth assessing whether keeping money in a pension pot is still an effective strategy before that point.

Can I get help with Inheritance Tax?

Our expert team are on hand to help review your estate and assess your exposure to IHT. As estates are as unique as the people they belong to, it is always worth getting tailored financial advice when trying to manage your IHT exposure.

Get in touch if you would like professional support that will help you feel more confident about Inheritance Tax.



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