

Important inheritance tax changes

Tax and trusts August 2006

Dear Client

Important legislative changes

We are taking the unusual step of sending this circular letter to all our clients because of two recent changes in the law which will affect most of our clients and which may need immediate action by you. We are also taking the opportunity of reviewing our Wills Register and so if you think you should not have received this letter or your details are incorrect in any way please accept our apologies and return the reply slip with the appropriate corrections.

The Finance Act 2006 changes the tax treatment of gifts and trusts and may affect:

- your Will; and
- any existing trust of which you are a trustee or beneficiary.

The following information summarises the changes. The other change relates to the way in which house sales will be conducted in future and we enclose a separate information sheet on that subject.

Yours faithfully
Wilson's

New inheritance tax charges announced in the Budget have recently become law. These may affect your Will and any trust of which you are a trustee or beneficiary.

Existing trusts

If you are a trustee or beneficiary of an existing trust you should seek advice about the impact of the tax changes.

Wills not affected

There is no change to the amount of inheritance tax to pay on:

- a legacy of an amount up to your available inheritance tax nil rate band (currently a maximum of £285,000);
- a discretionary trust;
- outright gifts to individuals where they do not need to live to a specified age to inherit;
- a gift to your own children or step-children at 18 or under; or
- a gift to charity.

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Wills affected

Additional inheritance tax may be payable if at your death your estate exceeds your available nil rate band, and your Will:

- Specifies an age at which a beneficiary is to inherit, unless the beneficiary is your child or step-child and the age you specify is 18 (this particularly affects gifts to grandchildren);
- Passes assets to any trust created other than under your Will, or deals with any assets in such a trust; and/or
- Creates a trust which gives a beneficiary a right to receive the income produced by the trust assets, and when that beneficiary's interest ends the trust does not terminate immediately. Here the additional tax charges only apply to the trusts which continue after the first beneficiary's interest ends.

Amount of additional tax payable

- If you leave assets to your child or step-child after they reach 18 but no later than 25, inheritance tax of up to 4.2% is payable when they become entitled to those assets.
- If you leave assets to a trust created outside your Will, inheritance tax is payable at up to 6% on ten year anniversaries of the creation of that trust and when the beneficiaries become entitled to the trust assets.
- In all other cases inheritance tax is payable at up to 6% on ten year anniversaries of your death and when the beneficiaries become entitled to the trust assets.

This is only a brief summary of the new legislation and should not be relied on without specific advice.

Will review

To help set your mind at rest we are offering an initial written review for a fixed fee. We shall be able to tell you what changes, if any, you need to make to your Will. We can also make other specific changes for fixed fees.

Wilson's' fees

Our fees for reviewing your Will (or mirror Wills for a married couple or civil partners) are at the following special rates inclusive of VAT:

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| Initial written review where your Will is already held by Wilsons | £90 |
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Plus (if needed):

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| Codicil to amend the age which a beneficiary inherits | £90 |
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| Letter of wishes requesting your executors / trustees to amend your Will after your death to comply with the new rules | £90 |
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| New Will or codicil varying the trusts of your existing Will to comply with the new rules | £150 |
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If you would like us to review your Will held by Wilsons, please complete the slip below and return it in the enclosed envelope with a cheque for £90 payable to Wilsons.

New Wills

If you wish to make a new Will, guideline prices (including VAT) are:

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| A straightforward Will (containing no trusts) | £300 |
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| A complex Will (either containing trusts or with tax planning advice) | |
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| Where you already have such a Will in place | £600 |
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| Where you require a completely new Will | £1,000 |
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Depending on your circumstances, further advice or documents may be required for which there would be an additional charge.

To arrange a review please send the tear-off slip below in the reply paid envelope to:

Wilsons
Steynings House
Summerlock Approach
Salisbury
SP2 7RJ

Telephone: 0845 0035043
email: willreview@wilsonslaw.com

This information has been sent to you as a current client/contact of Wilsons, if this is not the case please accept our apologies. We strive to keep our information up to date, but if this mailing has been sent to you in error or you wish to update your details, please complete the information in the space above and return it to us in the replied paid envelope. We will then update our database.

If you do not wish to receive mailings from Wilsons please tick here and return this form to us including your name and address in the enclosed envelope. We will then remove you from our mailing list.

I enclose my cheque for £90 to review my Will held by Wilsons
I require further information Please update my details

Your name _____

Your spouse's or civil partner's name _____

Address _____

Telephone _____

e-mail _____