

## £1m IHT Relief?

The introduction of the Residence Nil Rate Band (RNRB) in 2017 appeared to offer the opportunity for parents to pass up to £1m of their estate to their children free of IHT. In reality it is not that straightforward.

### What is the RNRB?

The RNRB has been phased in over several years and now allows up to £175,000 of the net value of a property to be exempt from IHT if it is passed to a direct descendant (i.e. children, grandchildren, step-children and foster or adopted children).



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It applies to the Qualifying Residential Interests (QRI) held at death and refers to a residential property which has been occupied by the deceased as a residence at a time when the property was included in their estate. If the deceased owned more than one property, only one can attract the RNRB. This relief is in addition to the existing Nil Rate Band (NRB) of £325,000 and, like the NRB, is transferable on death to a spouse. If the deceased downsized to a smaller, lower value home, or sold or gave away their home after 7th July 2015, the proceeds of that could still qualify for the RNRB. However, if the total estate exceeds £2million the RNRB will be tapered by £1 for every £2 the estate is valued over the £2m and if the estate value exceeds £2.35 million then no RNRB relief is allowed.

### The RNRB and Your Will

The RNRB will not apply to property held in certain trust structures so it is important to review your Will. For example, if your property is left to a discretionary trust, the RNRB will not be available even if the only beneficiaries of the trust are your children (although there would potentially be two years to do a ‘deed of variation’ that could change this). That said, Trusts will still be appropriate in many circumstances for example, to retain control over the ultimate beneficiaries of your assets in the case of divorce and re-marriage.

### Achieving the full £1m Relief

The RNRB threshold maximum is £175,000 and the full £1m nil rate band becomes a reality in the following circumstances:

- the survivor of a married couple leaves their entire estate to their direct descendant(s)
- the estate is benefiting from the full £325,000 NRB and £175,000 from both deceased partners
- the value of the property in question exceeds £350,000
- the value of the estate is less than £2m.

For more information or to discuss how the RNRB may affect your own circumstances, please get in touch with your usual JJFS contact or email [justask@jjfsltd.com](mailto:justask@jjfsltd.com).

*Information in this document is valid for tax year 2023/24*

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