Wealth Genius
Grow • Build • Prosper

Your Essential Guide to

Inheritance Tax

A plain-English guide to protecting your estate and passing on more of what you have built

— Edition 2026.

Table Of

Contents

Here to help

Tax planning can feel daunting, and the language around it is often harder to follow than it needs to be. We have written this guide to be as clear and jargon-free as possible. If anything raises a question, or you would simply like something explained in plain terms, please speak to your Wealth Genius adviser or call us on 07919 101 221. We cannot give tax or legal advice through this guide, but we will always do our best to point you in the right direction.

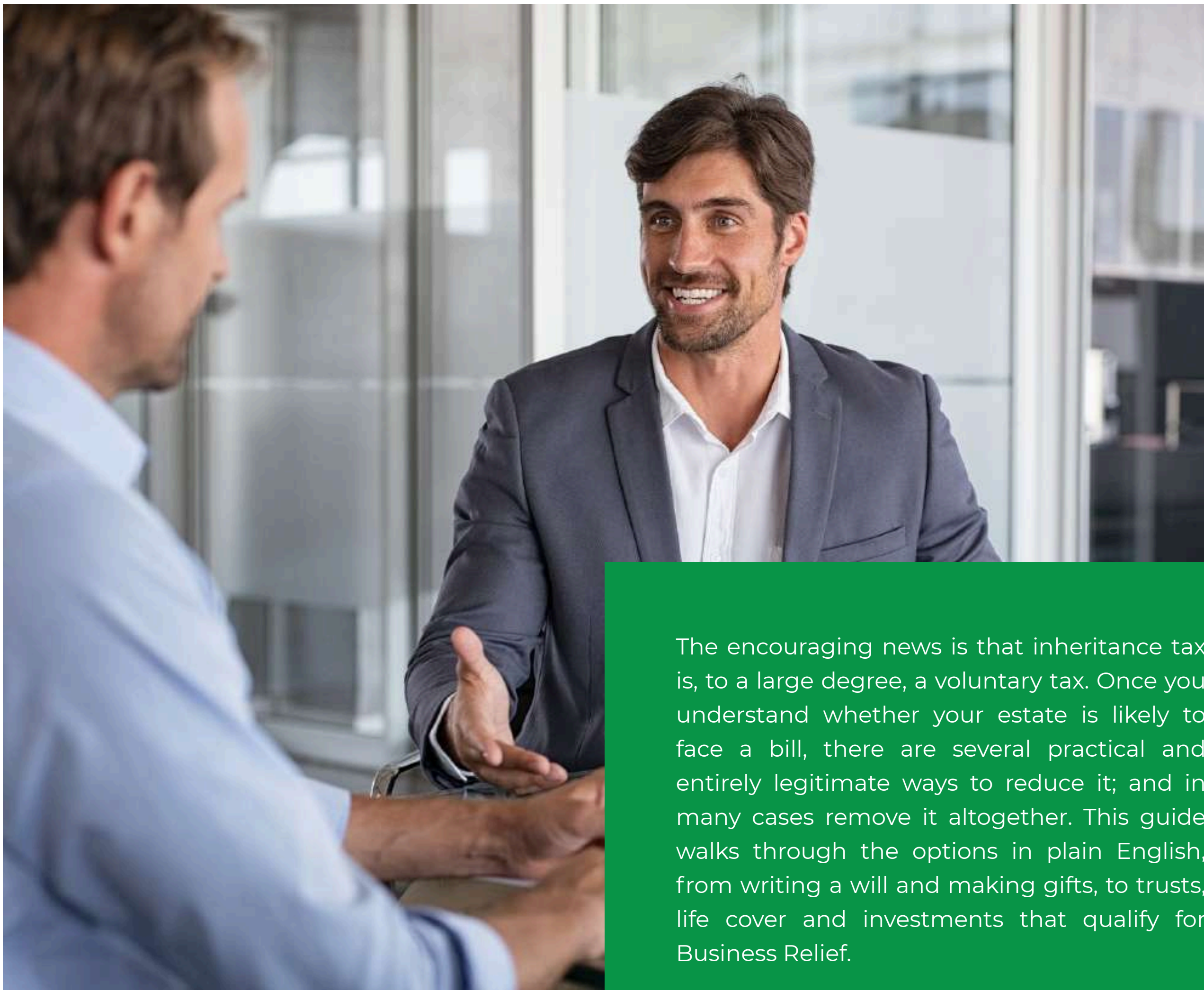
Important information

This guide is written for UK residents and reflects our understanding of the relevant tax rules at the time of publication. Tax treatment depends on your individual circumstances and the rules can change. It is not personal advice. We strongly recommend you take professional advice before making any decisions about your estate or your investments.

INTRODUCTION

What you can do about inheritance tax

Few taxes are as unpopular as inheritance tax. Survey after survey finds that most people in the UK regard it as unfair; recent polling suggests roughly half of adults consider it unfair or very unfair, and a clear majority would like to see it reformed or scrapped altogether. The reason is easy to understand: a bill running into tens or even hundreds of thousands of pounds means far less reaches the people you intended it for.



The encouraging news is that inheritance tax is, to a large degree, a voluntary tax. Once you understand whether your estate is likely to face a bill, there are several practical and entirely legitimate ways to reduce it; and in many cases remove it altogether. This guide walks through the options in plain English, from writing a will and making gifts, to trusts, life cover and investments that qualify for Business Relief.

At Wealth Genius, we take a different view of what a legacy is. It is not simply the sum of what you leave behind. It is the head start you give the people you love, the security you create for them, and the freedom it can buy them at the moments that matter most. Good planning is about making sure as much of that legacy as possible arrives where you want it to.

We hope that by the end you feel better informed, more in control, and a good deal less anxious about inheritance tax. When you are ready to turn that into a plan built around your own circumstances, your Wealth Genius adviser is here to help.

THE ESSENTIALS

The facts about inheritance tax

What is inheritance tax?

Inheritance tax (IHT) is a tax on the value of everything you own when you die ; your home and any other property, your savings and investments, and personal possessions such as vehicles, jewellery and works of art. From April 2027 most unused pension savings will also count towards the value of your estate. Any debts you owe are deducted before the tax is worked out.

If tax is due, it normally falls to the people who inherit, who must pay HM Revenue & Customs (HMRC) within six months of the end of the month in which the death occurred. After that, interest begins to build up on anything still outstanding. How much is owed comes down to two things above all: how much your estate is worth, and who you leave it to.

How your marital status changes things

Anything you leave to a husband, wife or civil partner is free of inheritance tax, however much it is worth. Just as importantly, your own nil-rate band is not used up when you do this ; it can be passed to your partner. That means when the second person dies, their estate can use both allowances, sheltering up to £650,000 before any tax applies. The same transfer is available if you have been widowed, provided your late partner left everything to you.

Couples who live together but are not married or in a civil partnership do not get this treatment. Each is taxed as an individual with their own separate allowance, and nothing can be passed between them — no matter how many years they have shared a home.

How the tax-free threshold works

Everyone has a tax-free allowance ; the nil-rate band ; of £325,000. If your estate is worth less than this, there is no inheritance tax to pay. Anything above the threshold is taxed at 40%.

A worked example: an estate worth £600,000 is £275,000 over the £325,000 threshold. At 40%, that produces an inheritance tax bill of £110,000.

Leaving at least 10% of the net value of your estate to charity reduces the rate charged on the rest from 40% to 36%.

Both the £325,000 nil-rate band and the £175,000 residence nil-rate band are now frozen until at least April 2031, as confirmed in the Autumn Budget 2025.

Leaving your home to children or grandchildren

If you pass your main home to your direct descendants; children (including stepchildren, adopted and foster children) or grandchildren ; your estate may also claim the residence nil-rate band. Introduced in 2017, this is currently £175,000. Stacked on top of the standard £325,000, it lets an individual estate pass on up to £500,000 before tax, and a married couple or civil partners up to £1 million, where the family home goes to direct descendants.

There is a catch for larger estates. The residence nil-rate band is gradually withdrawn once an estate is worth more than £2 million ; £1 of the allowance is lost for every £2 above that line, and this is measured against the whole estate, not just the home.

THE BIGGER PICTURE

Why are more estates paying inheritance tax?

Inheritance tax was once seen as a concern only for the wealthy. Today it reaches far further. The Office for Budget Responsibility expects receipts of around £9.1 billion in 2025/26, rising to £14.3 billion a year by 2029/30 ; up from just £3.3 billion in 2005/06.

So why are so many more families being drawn into the net? A few long-running trends explain most of it.

We are living longer and owning more

Longer lives and decades of rising asset prices mean people have had more time, and more opportunity, to build up wealth. Savings, investments and pensions have grown, and many estates are simply worth more than they would have been a generation ago ; which makes a tax bill more likely.

House prices have surged

Property is the single biggest reason estates cross the threshold. According to the Nationwide House Price Index, the average UK home cost around £77,700 in 2000. By spring 2025 that figure had reached roughly £261,700 more than three times higher. Because house prices have climbed far faster than the allowances, even an ordinary family home can now tip an estate into taxable territory.

Frozen thresholds

The nil-rate band has barely moved in years. It was last increased in April 2009, from £312,000 to £325,000 ; a time when the average house cost well under that figure. Property values have risen sharply since, while the allowance has stood still. With both the nil-rate band and the residence nil-rate band now fixed until April 2031, the practical effect is a steadily rising tax take as more estates are pulled above an unchanging line.

Families are more complex

Modern families do not always fit the assumptions built into the rules. More couples live together without marrying, more people remarry, and blended families are common. Cohabiting partners cannot share allowances, which can leave a surviving partner with an unexpected bill; one more reason that planning matters more than it used to.

YOUR STARTING POINT

Working out your potential liability

Before you can plan, it helps to know roughly where you stand. Use the simple worksheet below to estimate the value of your estate. It is a guide, not a formal valuation ; but it will tell you whether inheritance tax is something you need to think about.

What is your estate worth?

What you own	Value
Property, including your main home	£
Savings and investments (including ISAs)	£
Pensions likely to count from April 2027	£
Other assets (vehicles, valuables, business interests)	£
Life policies not written in trust	£
Inheritances you have received or expect to receive	£
Total A	£

What do you owe?

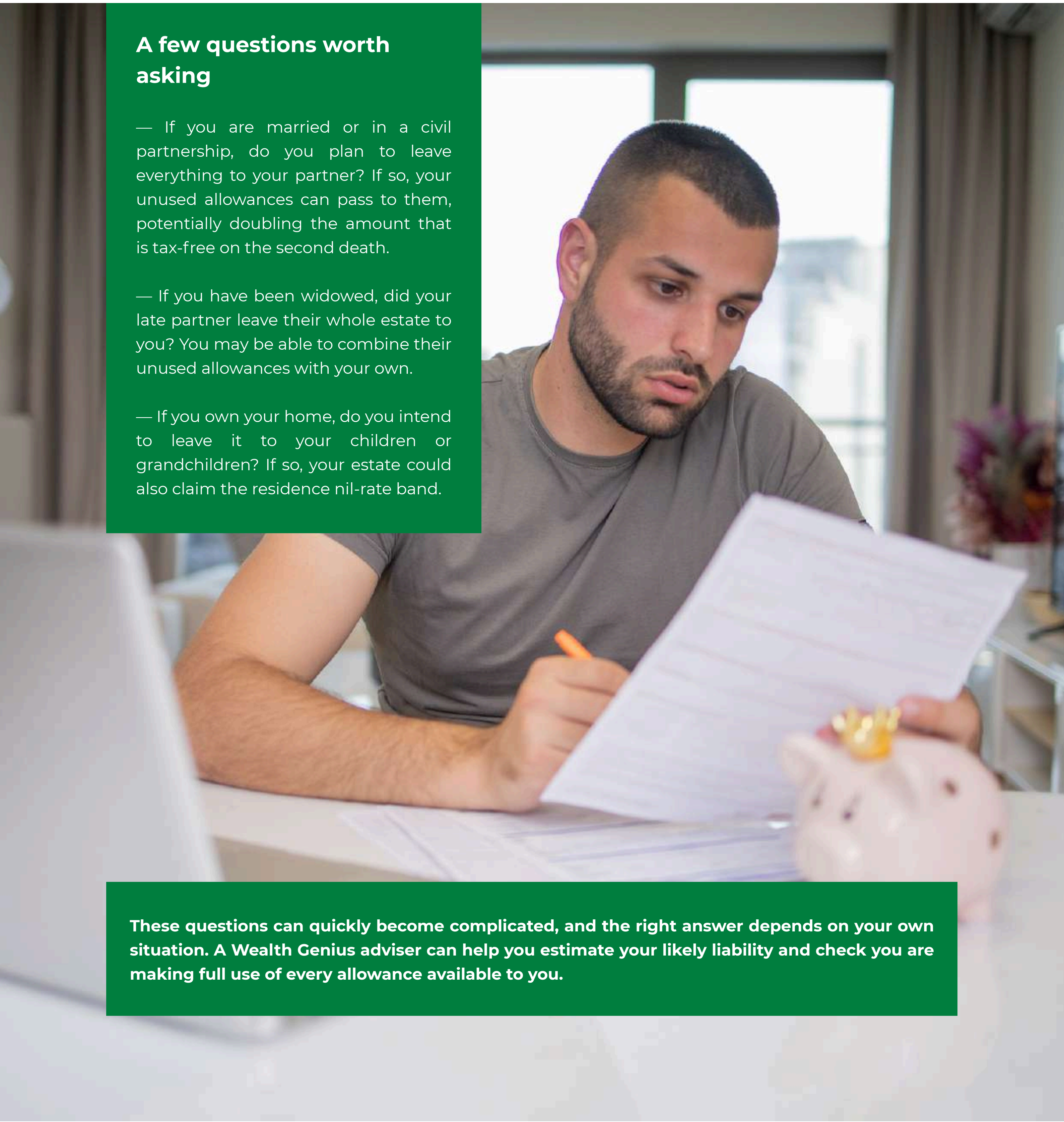
What you owe	Value
Outstanding mortgage	£
Loans and overdrafts	£
Credit card balances	£
Other financial obligations	£
Total B	£

Subtract Total B from Total A to find your net estate. Then note your marital status ; single, married or in a civil partnership, or widowed because, as we have seen, it has a major bearing on the allowances available to you

What your figure tells you

If your net estate is below £325,000, no inheritance tax is likely to be due today. But circumstances change house prices rise, savings grow, pensions accumulate ; so it is worth reviewing the position from time to time, especially if you have never made a plan.

If your net estate is above £325,000, you are likely to use up your nil-rate band, and anything beyond your available allowances could be taxed at 40%. That is the point at which planning can make a real difference.



A few questions worth asking

— If you are married or in a civil partnership, do you plan to leave everything to your partner? If so, your unused allowances can pass to them, potentially doubling the amount that is tax-free on the second death.

— If you have been widowed, did your late partner leave their whole estate to you? You may be able to combine their unused allowances with your own.

— If you own your home, do you intend to leave it to your children or grandchildren? If so, your estate could also claim the residence nil-rate band.

These questions can quickly become complicated, and the right answer depends on your own situation. A Wealth Genius adviser can help you estimate your likely liability and check you are making full use of every allowance available to you.

AN IMPORTANT CHANGE AHEAD

What about pensions and inheritance tax?

For many years, pensions have sat outside the estate for inheritance tax purposes; one of the reasons they have been such a useful way to pass on wealth. That is about to change. The Government has confirmed that, from April 2027, most unused pension funds and death benefits will be counted as part of your estate and may be subject to inheritance tax.

Defined benefit (final salary) pensions

A defined benefit pension pays a guaranteed income for life based on your salary and length of service. When you die it typically provides a reduced income for a surviving spouse or civil partner. These pensions usually cannot be passed on as a lump sum and generally do not form part of your estate in the same way.

Defined contribution pensions

A defined contribution pension is a pot you build up over your working life. At retirement you can normally take up to 25% tax-free and draw the rest as income. Until now, anything left in the pot on death could usually pass to your beneficiaries without an inheritance tax charge. From April 2027, unused funds will instead be brought into your estate and may be taxed.

Income tax may apply too. If you die before age 75, beneficiaries can usually take what remains tax-free. If you die at 75 or older, their withdrawals are taxed at their own income tax rate. For an additional-rate taxpayer, the combination of inheritance tax and income tax could mean an effective charge approaching 67%.

The April 2027 change makes it more important than ever to look at pensions and the rest of your estate together. Your Wealth Genius adviser can help you understand how the new rules might affect your plans.

FIVE PRACTICAL ROUTES

Ways to reduce an IHT bill

- Making a will
- Gifting your assets
- Settling assets into trust
- Insurance policies
- Investments that qualify for Business Relief

WAYS TO REDUCE AN IHT BILL — 1

Making a will

A will is the simplest and most powerful step you can take to decide what happens to your estate. Yet it remains surprisingly neglected: the 2025 National Wills Report found that only around 37% of UK adults have made one; a noticeable fall on previous years.

Without a valid will, you are said to die intestate, and your estate is shared out according to fixed legal rules rather than your wishes. That can mean more of it ends up with the taxman, and your family can face delay, confusion and even dispute at an already difficult time.

A will makes sure your assets reach the people and causes you care about. It is usually best drawn up by a solicitor or other qualified professional, who can confirm it is valid and accurately reflects your intentions. And if you choose to leave at least 10% of your net estate to charity, the rate of inheritance tax on the rest falls from 40% to 36%.

How intestacy works in England and Wales

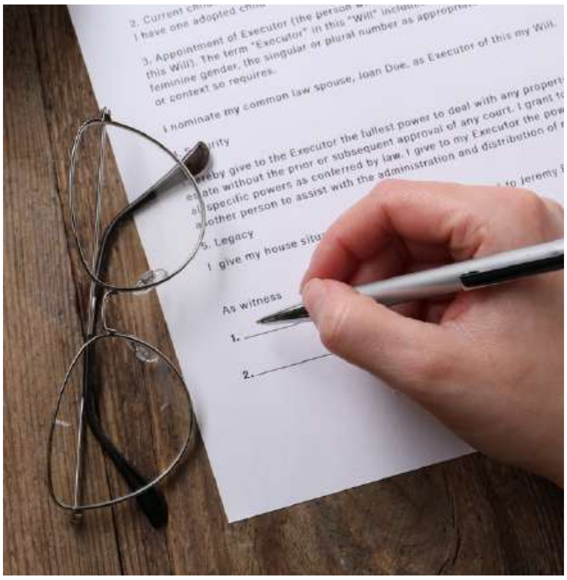
— Married or in a civil partnership with no children: your spouse or partner inherits everything.

— Married with children: your partner receives the first £322,000 plus half of the remainder, with the rest passing to your children.

— Single, including a single parent: your estate passes to your closest relatives in a set order: children first, then parents, then siblings. The courts may also decide who looks after any young children.

— Living together but unmarried: your partner has no automatic right to inherit anything, however long you have been together.

— No surviving relatives: your estate passes to the Crown.



Gifting your assets

Giving money or possessions away during your lifetime is one of the most straightforward ways to reduce the value of your estate — and the potential tax on it. But there are rules to follow, and it pays to understand how the various exemptions fit together.

Your annual allowances

Each tax year you can give away up to £3,000 without it counting towards your estate. This is your annual exemption, and if you do not use it you can carry it forward for one year only. Separately, you can give as many people as you like up to £250 each per year; though you cannot combine the £250 small-gift exemption with the £3,000 annual exemption for the same person.

Wedding and civil partnership gifts

Gifts made when someone marries or forms a civil partnership have their own allowances. You can give up to £5,000 to a child, up to £2,500 to a grandchild or great-grandchild, and up to £1,000 to anyone else.

Gifts to charity and other bodies

Anything left to a registered charity is free of inheritance tax. The same applies to gifts to UK political parties, housing associations, museums, universities and bodies such as the National Trust.

Larger gifts and the seven-year rule

Gifts above your exemptions are known as potentially exempt transfers. They fall out of your estate entirely if you live for seven years after making them. Die within seven years and the gift may be taxed though the amount of tax can be reduced by taper relief.

How taper relief works

If you die within three years of making a gift, the full 40% rate can apply. Between three and seven years, the tax due reduces on a sliding scale, as shown below. One important point: taper relief only applies to the part of a gift that exceeds the nil-rate band. Your allowance is set against gifts first, so taper relief only helps where gifts in the seven years before death total more than £325,000.

Years between gift and death	Proportion of IHT payable
Less than 3 years	100% (no taper relief)
3 to 4 years	80%
4 to 5 years	60%
5 to 6 years	40%
6 to 7 years	20%
7 years or more	0% (no IHT due)

Is gifting right for you?

Gifting can be a rewarding way to reduce a future bill; and it lets you see your loved ones enjoy their inheritance while you are still here. But it is not without risk. Give away too much and you could find yourself short later in life, or unable to control how the money is used. And a large gift made within seven years of death will use up your nil-rate band first, so there can still be tax to pay.

Before making significant gifts, it is wise to talk it through with an adviser who can help you weigh up what is sensible for you. Whatever you decide, keep a clear record of each gift; what was given, when and to whom — so that your executors can show the right exemptions apply.

Settling assets into trust

Trusts are one of the oldest tools in estate planning, used for centuries to control how wealth passes between generations. The person who puts assets into a trust is the settlor; the assets are then looked after by trustees on behalf of the people chosen to benefit the beneficiaries.

Why use a trust?

Trusts come into their own when you want more say over who benefits and when. For example, you might want to:

— Leave assets to children or grandchildren, but only let them have access once they reach a certain age.

— Give someone the use of an asset, such as living in a property, for their lifetime, while making sure it ultimately passes to someone else.

— Set conditions on how your estate is shared out among different beneficiaries.

Common types of trust

Discretionary trusts let you leave assets for a group of beneficiaries while the trustees decide how and when to pass them on; often once a beneficiary reaches a chosen age. If the settlor lives for seven years after settling the assets, they fall outside the taxable estate, though charges can apply when the trust is set up, on each ten-year anniversary, and when assets are paid out.

Immediate post-death interest trusts give someone the right to benefit from an asset ; for instance, to live in a home or receive rent from it ; for the rest of their life, after which it passes to a different beneficiary. They are often used where someone has remarried but wants children from an earlier relationship to inherit eventually.

Discounted gift trusts let the settlor make a gift into trust while continuing to receive regular payments for life. The value of the gift is discounted based on factors such as the settlor's age and health, reducing the taxable estate straight away ; though any capital left unspent could still be liable on death.

Loan trusts involve the settlor lending money to the trustees to invest for the beneficiaries. Any growth on that investment sits outside the settlor's estate, while the original loan remains repayable, so the settlor can still call on that capital during their lifetime.

Tax charges on trusts

Since 2006, many trusts have faced charges when they are created, on every ten-year anniversary, and when assets are paid out to beneficiaries. Some are also treated like lifetime gifts: if the settlor dies within seven years of putting assets in, their value can still count towards the estate. Where that uses up the nil-rate band, it can both create a charge and leave less allowance to set against the rest of the estate.

Are trusts worth considering?

Trusts can be highly effective for controlling how an estate passes on and for reducing the taxable estate; particularly where family circumstances are complicated or your wishes are not straightforward. They are not for everyone, though. They can be costly to set up and run, and the rules, especially around tax, are complex. If you are thinking about a trust, it is well worth speaking to a solicitor or chartered accountant, alongside your Wealth Genius adviser, to decide whether it is the right route for you.

WAYS TO REDUCE AN IHT BILL — 4

Insurance policies

Using a life policy to meet an inheritance tax bill is a long-established, if traditional, approach. It does not reduce the tax itself, but it can provide the cash your family needs to settle the bill without having to sell the family home or other treasured assets in a hurry. Two kinds of cover are commonly used.

Whole-of-life cover

Whole-of-life cover, sometimes called life assurance, lasts for as long as you live. Provided the premiums are paid, it is guaranteed to pay out a fixed lump sum when you die; money your beneficiaries can use towards any inheritance tax owed.

Term insurance

Term insurance covers you for a fixed period only. If you die within the term, it pays out; if you outlive it, it does not. This can be a cost-effective choice where you expect any inheritance tax exposure to be temporary.

A crucial detail: a life policy is usually counted as part of your estate when you die. Written in trust, however, the payout normally falls outside your estate and escapes inheritance tax; provided the trust is set up correctly. It is worth taking advice to get the structure right.


MAKE YOUR
MONEY WORK
HARDER
Plan with
purpose.

WAYS TO REDUCE AN IHT BILL — 5

Investments that qualify for Business Relief

Do I need to run a business?

No. You can gain exposure to Business Relief-qualifying companies by using a specialist investment manager, who invests on your behalf in companies they reasonably expect to qualify. As long as you hold the investment for two years and still own it at death, your estate can claim the relief that applies.

What is Business Relief?

Business Relief was introduced in 1976 to help family businesses pass from one generation to the next without a tax bill so large it would force a sale. Almost fifty years on, it has become an established part of estate planning; and not only for business owners.

How does it reduce inheritance tax?

If you hold shares that qualify for Business Relief, their value may be exempt from your estate, provided you have held them for at least two years and still hold them at death. From April 2026, however, the relief works to new limits:

Type of qualifying holding	Relief from April 2026
Shares in qualifying unquoted companies	100% relief on the first £2.5 million of value; 50% relief on the excess
Shares in qualifying companies listed on AIM	50% relief, whatever the value

Why consider Business Relief in your planning?

It can work more quickly than other routes. Where gifts and many trusts take seven years to fall outside your estate, qualifying shares can become exempt after just two. That makes them worth considering if you are planning later in life, or if waiting seven years simply feels too long.

You keep control of your wealth. Unlike an outright gift, these investments stay in your name. You retain ownership and, if your circumstances change, you can choose to sell and access the capital; subject to liquidity, which is not guaranteed. Bear in mind that once withdrawn, the money returns to your estate and becomes liable to inheritance tax again.

It can be simpler than the alternatives. For many people, holding an investment is more straightforward than setting up a trust or arranging life cover; particularly where age or health would make those harder. When the time comes, claiming the relief is usually handled by the executor of your will.

It can be transferred between spouses. The Autumn Budget 2025 confirmed that, from April 2026, the allowance for 100% Business Relief can pass between spouses and civil partners. A surviving partner can add any unused allowance to their own £2.5 million, for a potential combined allowance of up to £5 million.

Risk warning. Business Relief investments are high-risk. They are typically in smaller, unquoted or AIM-listed companies, the value of which can fall as well as rise, and you may get back less than you invest ; or nothing at all. Your capital is at risk, returns are not guaranteed, and the ability to sell is not guaranteed. Tax reliefs depend on your circumstances and on the companies maintaining their qualifying status; the rules can change. Do not invest unless you are prepared to lose all the money you put in.

ADVICE YOU CAN RELY ON

How Wealth Genius can help

Estate planning is rarely about a single product. It is about bringing the pieces together ; your will, your gifts, your pensions, any trusts or cover, and your investments; into one plan that reflects what you want for the people you love. That is what we do.

Wealth Genius is a UK financial planning and wealth management firm. We work with individuals, families, business owners and professionals; including many NHS staff, doctors, dentists and consultants; building clear plans around real circumstances. Whether you are balancing an NHS pension with private earnings, thinking about passing on a family home, or simply want to understand where you stand, we explain the options in plain English and help you act on them with confidence.

What working with us looks like

— We start by understanding you, your family, your wishes, and what you want your money to do.

— We estimate your likely inheritance tax position and check you are using every allowance available.

— We set out the practical options, wills, gifts, trusts, cover and qualifying investments, and the trade-offs of each.

— We help you put the plan in place, working alongside your solicitor or accountant where needed, and review it as your life and the rules change.

Tax treatment depends on your individual circumstances and may change in the future. This guide is information, not personal advice. The value of investments can fall as well as rise and you may get back less than you invest.

ABOUT US

We are Wealth Genius

At Wealth Genius, we believe financial advice should be clear, personal and genuinely useful. We take the time to listen, we explain things in plain language, and we build plans around what matters most to you; whether that is growing your wealth, securing your family's future, or leaving a legacy you can be proud of.

Our promise is simple: jargon-free guidance, a long-term relationship, and advice that always puts your interests first.

Our story in numbers

Year established	1998
Clients / families advised	500+
Areas of specialism	Financial planning, pensions, estate planning, advice for NHS and medical professionals

TALK TO US

Ready to make a plan?

Inheritance tax need not be inevitable. With the right plan, you can protect more of what you have built and pass it on to the people you choose.

To talk through your own situation, or to learn more about how Wealth Genius can help, get in touch. There is no obligation, and the first conversation is simply about understanding what you want to achieve.

07919 101 221

wealthgenius.co.uk

support@wealthGenius.co.uk

Workbench, 6 Ocean Way, Cardiff CF24 5HG

Sources and further reading: figures in this guide are drawn from HM Revenue & Customs, the Office for Budget Responsibility, the Nationwide House Price Index, the Autumn Budget 2025, and the 2025 National Wills Report. Thresholds and rules are correct to our understanding at the time of publication and may change.