



# IT'S TIME TO REVIEW YOUR WILL INTRODUCING RNRB

A Public Information Leaflet

## Notes

Reasons you might review your Will:

1. Changes in Tax Law
2. Introduction of the RNRB - Residential Nil Rate Band
3. Birth of a child or grandchild
4. Change of address
5. Change of executors/trustees
6. Marriage
7. Divorce
8. Receiving an inheritance
9. Any other material change in circumstance

**You should review your Will every 3-5 years and always store it safely**

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# IT'S TIME TO REVIEW YOUR WILL INTRODUCING RNRB

**Is your Will as tax effective as it could be? In light of the recent inheritance tax changes you should consider reviewing your arrangements to make sure you are making full use of your nil rate bands, potentially saving your family thousands of pounds.**

## RNRB - FAMILY HOME ALLOWANCE

From 6 April 2017 a new form of nil rate band was introduced to "take the family home out of inheritance tax". This new nil rate band is known as the Residence Nil Rate Band (RNRB). As special requirements must be met for the RNRB to be available to your estate you should consider reviewing your Will immediately to make sure you are making the best of the new tax rules.

## WHAT IS THE RNRB?

Before 6 April 2017 everyone had a nil rate band (NRB) of £325,000. This was the amount that they could give on their death before Inheritance Tax was payable.

Married couples and civil partners have an extra advantage and may leave everything to their spouse or civil partner without using their NRB or paying inheritance tax. On the second spouse's death they will then have their own NRB of £325,000 as well as their spouse's NRB which may be transferred – so spouses and civil partners could give a maximum of £650,000 inheritance tax free. The RNRB is a nil rate band which is additional to the NRB described above. Currently it is an extra £100,000 per person, and it is also transferable between spouses and civil partners as above. It will rise by £25,000 each year until it reaches £175,000 per person by 2020/21.

## HOW DO I QUALIFY?

Not everyone will qualify for the RNRB. For the RNRB to be available a person must own a residence or a share in a residence that has been lived in by them at some point while they've owned it.

This residence must be inherited by their "direct descendants". Direct descendants includes your children, stepchildren, grandchildren and remoter issue, adopted children, children that you have been appointed special guardian of, and foster children.

The residence must be inherited by the descendants absolutely i.e. gifted to them directly, or must be left to them on certain types of trust. The types of trust that qualify are trusts where the descendant is treated as though they own the property. For example a life interest trust. (Contact your local estate planning advisor for more information on the trusts that qualify.)

If the residence is left to your descendants on a discretionary trust then the RNRB will not be available. If your Will contains discretionary trusts then you should consider reviewing this.

## HAVE THERE BEEN ANY OTHER TAX CHANGES I SHOULD CONSIDER?

If your Will includes a 'Nil rate band discretionary trust' then you may need to review your arrangements to ensure you have a tax effective Will.

A nil rate band discretionary trust is a form of trust that will only take assets up to the value of one NRB (£325,000). This was a common arrangement between spouses and civil partners prior to 2007 where the NRB could NOT be transferred on the surviving spouse's death because it allowed the first to die to use their NRB.

Since October 2007 a spouse or civil partner's NRB has been transferable, meaning this type of arrangement is less tax effective than it used to be.

There are still other reasons for using this type of trust, so seek professional advice on whether yours is still required.

# SPOUSES AND CIVIL PARTNERS COULD GIVE A MAXIMUM OF £650,000 INHERITANCE TAX FREE