



Inheritance Tax – A PET is not just for Christmas!

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A PET for inheritance tax purposes is a Potentially Exempt Transfer. It is a gift that may trigger an inheritance tax charge – but only if the donor, the person who makes the gift, fails to live 7 years after making the gift.

A PET remains one of the most useful devices for reducing inheritance tax levied on an estate.

Even if a donor does not live for 7 years after a transfer there may be no tax to pay if, taking all chargeable transfers into account, the nil rate band is not exceeded. Currently the nil rate band is £300,000.

From 22 March 2006 (which was Budget Day) only *outright* gifts to other individuals and gifts to disabled trusts will qualify as PETs. Gifts to almost all other trusts are now chargeable transfers and are treated in the same way that gifts to discretionary trusts have historically been treated.

Fortunately any absolute lifetime gift on trust to a minor is still treated as a PET.

A word of warning: A gift may qualify as a PET for inheritance tax purposes but may still trigger other tax complications, if the donor retains an interest in the gifted property. For instance if a parent gives away their home to children but continues to live in the property.

However the PET remains an “alive and kicking” inheritance tax strategy. If you would like us to take a look at your estate and see what possibilities there are for mitigating future IHT liabilities please call to discuss.