



Tax-efficient giving and legacies

Legacy gifts are exempt from inheritance tax and could reduce the total amount of tax paid on your estate. From 6 April 2012, if you make a gift in your will to charity of at least 10% of your net estate, the rate of inheritance tax due on the taxable part of the estate is reduced from 40% to 36%. A gift of 10% can leave the same amount available to your other beneficiaries as one of 4%. Any gift greater than 4% but less than 10% results in your beneficiaries receiving **less money** than they would have done if the gift was for 10%. Here is an example.

On an estate of £1m, after deducting the nil-rate band (£325,000 to 2015) the net estate is £675,000.

a) If a gift of 10% of the net estate is made then:

- **£713,800** would be payable to the other beneficiaries
- **£218,700** would be payable in Inheritance tax (at the new 36% rate)
- **£67,500** would come to the charity

b) If a gift of 4% of the net estate is made then:

- **£713,800** would be payable to the other beneficiaries
- **£259,200** would be payable in Inheritance tax (at 40% rate)
- **£27,000** would come to the charity

c) If a gift of 8% of the net estate is made then:

- **£697,600** would be payable to other beneficiaries
- **£248,400** would be payable in Inheritance tax (at 40% rate)
- **£54,000** would come to the charity