

UK Inheritance Tax Rule Change that British Expats Need to Know



HMRC, the UK's tax office recently introduced a big rule change on inheritance tax (IHT), this year which could affect British expats, as well as an estimated 250,000 UK resident Brits.

HMRC announced the change which came into effect at the beginning of the year and should remove administrative burdens for many people dealing with probate and inheritance tax.

The improvement to the inheritance tax rules means that there is now no need need to report the value of an estate that is below the £325,000 threshold as long as they don't need to apply for probate.

The standard inheritance tax rate in the UK is 40 percent, paid by a person who inherits money or property from a person who has died, with some exceptions, known as 'excepted estates'.



The good news is that from 1st January, Britons will not have to report the value of an excepted estate if they're not applying for probate.

However, for an estate to be excepted, it must meet certain criteria.

Excepted estates

- The value is below the IHT threshold of £325,000
- The estate is worth £650,000 or less and the unused threshold is being transferred from a UK-domiciled spouse or civil partner who died first.
- Estates worth less than £3million where everything has been left to a UK-domiciled spouse or civil partner living in the UK or a qualifying charity.
- The deceased was living permanently outside the UK when they died, and their assets in the UK are worth under £150,000

However, if the estate owner died prior to or on 31st December, 2021, the rule change will not apply.



In this case, an estate would be considered excepted only if its value is below the inheritance tax threshold at the time the person passed away, or if the entirety of the estate was left to spouse or civil partner living in the UK or to a qualifying charity, and the estate is worth less than £1 million.

As well as a somewhat easier process for many executors in the UK, one or more of these rule changes should ease the burden of dealing with the affairs of many UK expats, too.

The most striking change for many long-term UK expats will be the fourth category of excepted estates, where the deceased was living permanently outside the UK when they died, and their assets in the UK are worth under £150,000.

However, as with all matters relating to UK IHT, this article is intended only as a guide, and specific advice regarding your own circumstances is strongly recommended.