

1 Rate bands for tax years 2015-16, 2016-17 and 2017-18

Section 8 of the IHTA 1984 (indexation) does not have effect by virtue of any difference between the consumer prices index for the month of September in 2014, 2015 or 2016 and the previous September.

EXPLANATORY NOTE

RATE BANDS FOR TAX YEARS 2015-16, 2016-17 AND 2017-18

SUMMARY

1. This clause extends the freeze on the inheritance tax (IHT) nil-rate band at £325,000 until 2017-18.

DETAILS OF THE CLAUSE

2. The clause disapplies section 8 of Inheritance Tax Act 1984 (IHTA) for the tax years 2015-16, 2016-17 and 2017-18. Section 8 applies if the consumer prices index (CPI) for September is higher than it was for the previous September, and provides for an increase in the nil-rate band from the following April by the same percentage as the increase in CPI (rounded up to the nearest £1,000). The effect of the clause is that the nil-rate band is not increased for the years 2015-16 to 2017-18 inclusive.

BACKGROUND NOTE

3. The rates of IHT are set out in the Table in Schedule 1 of IHTA. The IHT nil-rate band is the amount below which no IHT is charged. It is automatically indexed in line with inflation each year unless the Government decides otherwise and has generally increased every year up to 2009-10.

4. Section 8 of Finance Act 2010 set the limit of the nil-rate band at £325,000 for the years 2010-11 to 2014-15 inclusive.

5. At Budget 2013 the Government announced that the nil-rate band would remain frozen until 2017-18. This supersedes previous announcements.

6. If you have any questions about this change, or comments on the legislation, please contact Danka Wigley on 03000 585277 (email: danka.wigley@hmrc.gsi.gov.uk).