Voyage Financial Planning

Voyage Financial Planning,
19 Latimer Street,
Romsey, SO51 8DF

T: 023 8110 2094
E: info@voyagefp.co.uk
W: www.voyagefinancialplanning.co.uk

Britons face Inheritance Tax confusion

How the gifting rules are leaving some families in the dark

Inheritance Tax (IHT) can feel like a financial maze, and new research suggests many families struggle to understand the rules. Almost three in five (59%) UK adults admit they find IHT confusing, while only 6% describe their understanding as very clear, according to research[1].

That lack of confidence could have costly consequences. With tax thresholds frozen and recent policy changes expected to bring more families into the IHT net, understanding the available allowances and exemptions is increasingly important.

GIFTING RULES LEAVE MANY UNCERTAIN

Understanding how much can be gifted without triggering Inheritance Tax remains a challenge for many households. Just 15% of people feel confident about the amount they can give away each year without it being counted towards IHT, while 74% have either heard of gifting allowances and exemptions but do not know the details, or have no knowledge of them.

Only 26% of UK adults correctly identified the annual tax-free gift allowance as £3,000. Known as the 'annual exemption', it can be given to one person or split among several. Any unused allowance from the previous tax year can also be carried forward, provided the current tax year's allowance is fully used.

UNDERSTANDING THE SEVEN-YEAR RULE

More than half (57%) are either unaware of the seven-year rule or do not understand how it operates. Gifts not covered by an exemption can fall outside an estate for IHT purposes if the donor survives for seven years. If the donor dies sooner, the gift will use up some or all of the donor's nil rate band. If the gift (alone or cumulatively) exceeds the nil rate band, tax on the excess will be payable by the gift recipient, with the full 40% rate potentially applying if death occurs within three years.

Only 27% say they fully understand the rule. For families considering gifting property or significant sums of money, getting the timing and tax treatment right can be crucial.

PLANNING IS BECOMING MORE IMPORTANT

Rising property values, frozen IHT thresholds until 2031 and the inclusion of pensions in IHT calculations from April 2027 mean more families may need to reconsider their financial planning. Some households that never expected to pay IHT could find themselves affected.

Confusion can lead to missed allowances, unnecessary tax bills and added stress at an already difficult time. Understanding the rules early can give families a greater opportunity to make use of available exemptions, plan gifts carefully and ensure their assets are passed on as efficiently as possible. n

AVOID COSTLY MISTAKES AND UNEXPECTED LIABILITIES

With the rules becoming increasingly relevant to more households, seeking professional guidance will help families avoid costly mistakes and unexpected liabilities If you need further information about Inheritance Tax, gifting or estate planning, please contact us, and we'll assess your individual circumstances and help you plan effectively.

Source data:

[1] Research conducted by Canada Life among a nationally representative sample of 2,000 UK adults between 17–20 February 2026

HM REVENUE AND CUSTOMS PRACTICE AND THE LAW RELATING TO TAXATION ARE COMPLEX AND SUBJECT TO INDIVIDUAL CIRCUMSTANCES AND CHANGES WHICH CANNOT BE FORESEEN. THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TAX PLANNING. TAX CONCESSIONS ARE NOT GUARANTEED AND MAY CHANGE IN THE FUTURE. TAX FREE MEANS THE INVESTOR PAYS NO TAX



Voyage Financial Planning Ltd is an appointed representative of 2plan wealth management Ltd which is authorised and regulated by the Financial Conduct Authority. Voyage Financial Planning Ltd is entered on the FCA register (www.FCA.org.uk) under no. 992319. **Registered office:** C/O Vantage Accounting 1 Cedar Office Park, Cobham Road, Ferndown Industrial Estate, Wimborne, BH21 7SB. **Registered in England and Wales Number:** 10889785
Please note that the FCA do not regulate will writing, tax planning and trusts