

Case Study: Navigating the UK's Inheritance Tax Challenges

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By **Paul Webb**, 14th October 2025

Introduction

In this scenario, an international private client, let's call him John, a UK resident in his early 70s and a widower, found himself confronted with a substantial Inheritance Tax (IHT) bill. With a UK property worth £1,500,000 and investments totalling £750,000, John pondered strategies to mitigate the impact on his wealth without seeking professional advice.

The Risky Plan

In an attempt to navigate inheritance tax, John contemplated selling his house to his son, a resident of Guernsey, a jurisdiction with no inheritance tax. The plan involved his son, who recently liquidated a multimillion-pound business, purchasing the property, and John gifting the proceeds back while continuing to reside in the house. The goal was for John to live for another seven years, aiming to avoid hefty inheritance tax charges.

Professional Analysis

However, our team of experts swiftly identified the flaws in this plan. The proposed scheme of "selling" the house to the son, followed by gifting the proceeds, would not align with HM Revenue and Customs. The Gift with Reservation of Benefit (GWR) rules,

coupled with the potential application of Pre-Owned Assets Tax (POAT), made the plan ineffective. The value of the property would still be considered part of John's estate for inheritance tax purposes. Moreover, the son's residence in Guernsey did not exempt the UK-sited property from UK-based IHT, potentially leading to complexities in the future.

Professional Advice

What if John had sought professional advice from Dixcart UK before embarking on this risky endeavour? Let's explore.

- **Scenario Planning**

Dixcart UK, could have guided John through a comprehensive scenario analysis. Understanding John's international financial situation, Dixcart professionals could have illustrated potential outcomes, considering international wealth preservation goals and the nuances of various jurisdictions.

- **Strategic International Gifting**

Instead of pursuing a convoluted plan, Dixcart could have advised John on straightforward and globally compliant methods of mitigating inheritance tax. This might involve strategic gifting within allowable limits set by relevant jurisdictions or exploring Potentially Exempt Transfers (PETs) for financial assets. A carefully structured gifting plan, considering the time period, could have mitigated the IHT impact effectively.

- **Utilising International Tax Allowances**

Dixcart UK could have helped John leverage international tax allowances, considering his global assets. Exploring options like gifting a portion of his investments within these allowances could have been a more tax-efficient and transparent strategy. The utilisation of nil-rate bands, residence nil-rate bands, and other available allowances could have been optimised for international wealth preservation.

- **Long-Term Generational Wealth Planning**

Moreover, Dixcart UK could have assisted John in developing a long-term inheritance tax mitigation plan with an international perspective. Understanding John's financial goals and family situation on an international scale, the professionals could have provided guidance on structuring his estate, ensuring the seamless transfer of assets to the next generation.

Conclusion

John's case serves as a compelling illustration of the importance of professional advice in navigating complex global financial decisions. Seeking guidance from Dixcart, could have potentially saved John from the complications and financial pitfalls he faced. This case study underscores the significance of consulting professionals in international private client services, ensuring individuals make informed decisions and preserve their wealth across borders.

By exploring the hypothetical scenario where John had come to Dixcart UK first, we emphasise the proactive role professionals can play in securing a sound financial future and mitigating risks associated with international wealth preservation and generational wealth planning. This case study aims to reinforce the value of expert consultation and strategic planning in safeguarding individuals from unforeseen financial consequences.

Get in Touch

If you have any questions regarding the tax implications, drafting of UK Wills, Lasting Powers of Attorney and international inheritance planning, please get in touch at: advice.uk@dixcart.com.