

Client Stories: UK Inheritance Tax Planning in Practice

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By **Paul Webb**, 1st October 2026

Rather than take the unpopular step of raising tax rates, many Chancellors have relied on fiscal drag: freezing thresholds and allowances while inflation and earnings growth erode their real value. The prolonged freeze in Income Tax thresholds has attracted considerable attention.

My favourite example is the 15p luncheon voucher exemption. Introduced in 1946, it remained unchanged until its abolition on 6 April 2013.

Although frozen Income Tax thresholds have received justified attention, Inheritance Tax thresholds have been fixed for longer. The nil-rate band has remained at £325,000 since 2009–10. According to the Bank of England inflation calculator, it would now exceed £500,000 had it kept pace with inflation.

The nil-rate band remains frozen. Further, most unused pension funds and death benefits will enter the Inheritance Tax estate for deaths on or after 6 April 2027, while reforms to Agricultural Property Relief and Business Property Relief took effect from 6 April 2026.

Those who recall the period before 22 March 2006, when transfers into qualifying Accumulation and Maintenance Trusts could be potentially exempt transfers, may feel that the best time to act was more than 20 years ago.

The next-best time is now.

If you are beginning to review your estate planning, [Inheritance Tax Planning: Protecting Your Wealth Without Fracturing Your Family](#) explains why recent inheritance tax changes are prompting more families to take action and highlights the importance of balancing tax efficiency with family considerations.

Different Families, Different Solutions

What does action involve? There is no universal answer: each solution must reflect the individuals, their assets and the available reliefs.

Consider these hypothetical examples.

The Harris Family

The Harrises are in their sixties and own a trading company, ISAs and pensions. They have sufficient wealth to retire without remaining involved in the business.

They have two successful adult children, each with young children and no need for financial support.

As neither child is involved in the company, the Harrises intend to sell it. The shares may qualify for Business Property Relief until a binding sale contract is in place. After completion, the cash proceeds would ordinarily remain in the estate without that relief, creating a substantial Inheritance Tax exposure.

A family trust is one option. The Harrises could settle cash up to the available nil-rate band and, before entering a binding sale contract, consider settling qualifying shares and claiming Business Property Relief. The treatment would depend on the facts, the available combined £2.5 million Agricultural Property Relief and Business Property Relief allowance, and the anti-avoidance rules.

The Smith Family

The Smiths are approaching the end of their careers. Their assets include an undrawn pension, ISAs, a share portfolio and an unencumbered rental property portfolio accumulated over many years.

They have two adult children who are at an early stage in their careers and do not have high incomes. As both are in their early twenties, the Smiths consider them financially inexperienced.

The Smiths could identify genuinely surplus funds and make staged gifts for their adult children to contribute to pensions. Contributions would be limited by each child's relevant UK earnings, annual allowance and the applicable tax-relief rules. Pension investments generally grow free of UK Income Tax and Capital Gains Tax, although benefits may be taxable when drawn and access is normally restricted until the minimum pension age.

The Smiths hope to have grandchildren in future.

Once they have grandchildren, each Smith could consider settling an amount within the available nil-rate band into trust. Subject to the trust terms, relevant tax charges and applicable anti-avoidance rules, the fund could meet education costs.

Other options include potentially exempt transfers and gifts made as normal expenditure out of income.

Alternatively, they may leave the pension undrawn so that it continues growing in a tax-advantaged environment. However, for deaths on or after 6 April 2027, most unused pension funds and death benefits will form part of the estate for Inheritance Tax. Depending on the circumstances, beneficiaries may also face Income Tax when benefits are paid.

Many inheritance tax planning strategies involve gifting assets during your lifetime. For a detailed explanation of the seven-year rule, gifts with reservation of benefit and inheritance tax gift exemptions, read [UK Gifts and Inheritance Tax: When Is a Gift Not a Gift?](#)

How Dixcart UK Can Assist

UK private client planning is rarely just a tax calculation. It is a combination of tax, succession, documentation and family governance. At Dixcart UK, we work with families to review wills, trust structures, gifting strategy and pension arrangements, and to ensure that planning remains efficient, appropriate and aligned with long-term objectives.

If you would like to discuss your circumstances, please contact advice.uk@dixcart.com. Any planning should be tailored to your situation and kept under review as tax rules and family needs change.