



GORDONSTOUN

Gordonstoun

Inheritance Tax Help Sheet

Inheritance tax applies to estates over £325,000 and stands at a standard rate of 40%. Gifts to charity are free of inheritance tax, so can be very useful in reducing your inheritance tax liability while making a real difference to organisations like Gordonstoun.

Inheritance Tax Rules

The government has recognised the importance of remembering charity in your will and that is why it has introduced new legislation to make giving a legacy even more tax effective. This new legislation means that any person who leaves at least 10% of their taxable estate to charity will receive a reduced rate of Inheritance Tax (36% instead of 40%) meaning that for every 24p you donate over the inheritance tax threshold the exchequer will donate a further 76p, making any gift go a lot further

Example:

An estate of £500,000 pays £70,000 in tax from the £175,000 of the estate that is taxable after taking into account the £325,000 tax free allowance. However, a 10% charitable donation from the taxable estate will result in £17,500 going to charity and a reduced rate of tax (36%) on the remainder of the taxable estate (= £56,700).

This means a £74,200 (£56,700 + £17,500) total reduction in the estate with a gift as opposed to the straight £70,000 without. A gift therefore results in only £4,200 less to the total estate while making a sizable contribution to charity.

| | Estate without gift | Estate with gift |
|---------------------------|---------------------|------------------|
| Estate value | £500,000 | £500,000 |
| Taxable Estate | £175,000 | £175,000 |
| Charitable Bequest | £0 | £17,500 (10%) |
| Tax | £70,000 (40%) | £56,700 (36%) |
| Total Reduction | £70,000 | £74,200 |

This information is correct at October 2024 however the example shown does not constitute tax or financial advice and does not take into account personal circumstances. You should take personalised tax and financial advice tailored to your specific circumstances from your own advisors.

For more information or to discuss leaving a gift in your will to Gordonstoun please contact:

Andrew Lyall, Head of Development and Alumni – lyalla@gordonstoun.org.uk