

# The effects of Covid-19 on inheritance tax

February 2022

## James McMullan looks at how the Covid-19 pandemic has affected inheritance tax

There is still much uncertainty about the true impact of the coronavirus on all aspects of our lives. Inheritance tax is no different, with the fallout of the pandemic affecting the value of estates, inheritance tax planning, and the valuation of business assets inheritance tax has been affected both directly and indirectly.

### Will inheritance tax rise to cover Covid-19 costs?

According to the National Audit Office, the government has spent more than [£372 billion](#) on supportive measures related to the pandemic. As a result, the Chancellor must implement measures to offset this expenditure. But will this cause a rise in inheritance tax? The answer is complicated. While the rate of inheritance tax and the thresholds for liability will remain the same, the number of estates liable to pay inheritance tax is increasing.

In January 2022, new statistics from HMRC revealed that £4.6bn in inheritance tax was paid to the Government between April and December. That represents a £600m increase when compared to the same period in 2020. But why?

### Increased value of estates

Currently, inheritance tax is charged on the part of the deceased's estate that is above £325,000 at a rate of 40%. However, the UK's housing crisis and soaring property prices mean that more people than ever are becoming liable to inheritance tax charges.

### Lack of inheritance tax planning

The increased value of estates has an impact on people from all walks of life. Many people who would have never

expected the value of their property or other assets to exceed the inheritance tax threshold are failing to properly plan for inheritance tax and take steps to mitigate their bill.

Similarly, the pandemic has sadly caused thousands of sudden deaths. Many people may never have even considered estate planning because they were previously in good health.

### How to mitigate your inheritance tax bill

But there is some good news when it comes to inheritance tax. With proper estate planning and a properly drafted will, you can take steps to dramatically mitigate your inheritance tax liability. For example, when you leave your home to a descendant in your will, the threshold is increased by £175,000. That is a huge potential tax saving.

**If you are concerned about inheritance tax, you can put your mind at ease. Discuss your concerns with James, an experienced estate planning solicitor who can advise you on your specific circumstances.**

**James McMullan**  
020 7299 6902  
[james.mcmullan@riaabg.com](mailto:james.mcmullan@riaabg.com)  
[www.riabarkergillette.com](http://www.riabarkergillette.com)



[Click here to make an online appointment](#)

Note: This is not legal advice; it is intended to provide information of general interest about current legal issues.

