

## Residence Nil Rate Band

### Overview

- Introduced by the Conservative Government in attempt to deliver their promise of a joint nil rate band of £1million by the end of their five year term
- Came into force from April 2017 and the level of Residence Nil Rate Band (RNRB) will be phased in, increasing by £25,000 per year until the full RNRB is in place from April 2020/2021; illustrated below:

| Tax year | RNRB     |
|----------|----------|
| 2017/18  | £100,000 |
| 2018/19  | £125,000 |
| 2019/20  | £150,000 |
| 2020/21  | £175,000 |

- From 2021/22, the nil rate band and RNRB will increase in line with CPI every year
- The RNRB that you will be entitled to is the lower of the following:
  - RNRB on date of death (between £100,000-£175,000); **or**
  - Value of property on date of death, minus liabilities (i.e. mortgage), and based on 'qualifying interest' (% of property owned)
- If your estate is worth over £2million, your RNRB will be reduced by £1 for every £2 of your estate that is over £2million

### What property?

- RNRB only applies to one property per person
- Can be any property in your estate, as long as it was your residence at some point. For example, a holiday home or a buy-to let flat could be applicable
- The executors of your estate can nominate which property your RNRB will apply to

### Who can property be passed to?

- RNRB only applies if the property is passed down to 'direct descendants' (children, grandchildren etc.)
- This can be done direct or through a trust (e.g. bare trust or interest in possession trust)

### Transferring your RNRB

- Any unused RNRB can be transferred to your spouse on death, but you must be married or in a civil partnership
- Even if your spouse died before April 2017 or didn't own a property, you can still inherit their RNRB. There is no time limit on this so, for example, your spouse could have died 20 years ago and still pass on their RNRB
- £2million+ tapering still applies to the inherited RNRB. So if spouse's estate was worth over £2million, their RNRB will be reduced

## Downsizing

- If you downsize your house after 8<sup>th</sup> July 2015, you won't miss out on the RNRB that you could have been entitled to on your previous, more expensive, property
- Assets of equivalent value (e.g. cash or investments) and your new property can be used against your RNRB up to value of previous property
- For example, you sell your property for £175,000, and buy a new property for £100,000 in August 2015. If you die after 2020 and pass the new property (£100k) and an investment ISA (worth £75k) on to a direct descendant, you can use full the RNRB of £175,000 against these assets