

TECHNICAL ADVICE

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In this article I am going to address Quick Succession Relief (QSR) which shouldn't be confused with taper relief. QSR can be applied if there is a transfer of value which attracts a second charge to Inheritance Tax. There is a narrow window however, so the relief is only applicable if the second charge takes place within 5 years from the original gift or chargeable transfer.

An illustration: an individual inherits a gift in a Will on which Inheritance Tax was payable. The legatee dies 4 years after inheriting the gift which now forms part of their own estate, which is taxable. As the legatee died within 5 years, relief in the form of QSR can be applied to the estate against the second Inheritance Tax liability. This is done by reducing the Inheritance Tax charge by a percentage of the Inheritance Tax that was charged on the amount received by the deceased legatee. As the death was 4 years later, then the relief will be 20%.

The relief as a percentage is as follows:

Complete years between tax charges Percentage as a relief

- 0 100%
- 1 80%
- 2 60%
- 3 40%
- 4 (but less than 5 years) 20%

It is important to note that upon the first gift or transfer, there must have been a charge to Inheritance Tax. If the gift/transfer was covered by the Nil Rate Band or another exemption then no QSR is applicable.

The formulae to calculate QSR is as follows: $(A \div D) \times B \times C$

- A = Amount of increase of deceased's estate
- B = Tax on earlier chargeable transfer
- C = Appropriate percentage
- D = Value of earlier chargeable transfer

To illustrate this:

Jenny dies leaving her estate of £375,000 to Graham. Inheritance Tax was paid in the sum of £20,000. Graham dies 3 years later. Graham's estate is increased by £355,000 and his estate is subject to Inheritance Tax.

The calculation being = $(£355,000 \div £375,000) \times £20,000 \times 40\%$

The QSR is £7,466.66 and Graham's estate can benefit from this.