

ABEL ON PROPERTY



Passing It On — inheritance tax for landlords

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Chartered Accountants — 40 years' experience

A WORD FROM HARISH & AWAIS JAWAID

Of all the conversations I have had in forty years as a chartered accountant, the hardest are the ones that start too late. A family comes to me after a funeral, and the properties are there, and the tax bill is there, and the planning that could have softened it was never done.

I wrote this book so that conversation happens early — over coffee, while there is still time to choose. Inheritance tax and property is not a cheerful subject. But planning it well is one of the kindest things you can do for the people you love.

This book is in plain English. No jargon, no lectures. Just what I would tell you if you were sitting across from me.

Tax rules change, and every landlord's position is different. This book is general guidance, not personal advice — please take advice for your own situation.

1. Why property makes inheritance tax personal

Inheritance tax is charged on what you own when you die. For most landlords, most of what they own is property — bricks and mortar, not money in the bank.

That creates a cruel mismatch. The tax is worked out on the value of the bricks. But the bill must be paid in cash — and usually paid quickly. I have seen families forced to sell a good property in a hurry, at a bad price, just to pay the tax.

This is why landlords cannot afford to think about inheritance tax “one day”. With property wealth, “one day” arrives as a deadline.

2. How inheritance tax touches your property

When you die, everything you own is added up — every property at its market value, plus savings, investments and belongings, minus debts like mortgages. If the total is above the allowances, tax may be due on the rest.

Allowances exist, and they can be generous — there are allowances that can shelter your own home when it passes to family, and couples can often combine what they have not used. The details change over time, so I will not print figures here that may be out of date next year — but they are worth understanding properly.

The key point is simple: property counts in full, at full market value. There is no discount because they are “just the family rentals”. Plan as if every brick counts — because it does.



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3. Giving while you are alive

Many landlords ask me: is it better to give property away now, or leave it in my will? It is a good question, and the honest answer is: it depends — but earlier is usually better.

Gifts you make in your final years can still be counted as part of your estate for tax. The longer ago you gave, the better it generally works. Time is the ingredient most people underestimate.

But giving property away is not free of tax either. Passing a rental property to your children can trigger capital gains tax at the time of the gift — even though no money changes hands. And stamp duty can apply too.

So never give away a property on a handshake and a hope. Get the capital gains, stamp duty and inheritance tax positions checked together, in one conversation, before anything is signed. The three taxes talk to each other — your advice should too.

4. Planning early beats planning late

I have a client — call him David — who came to me at sixty with four rental houses and one question: “What happens to all this when I go?” We had time. We reviewed his will, looked at his allowances, and made a plan he could live with. He sleeps well.

I have another memory I would rather not have: a family who came to me after their father died with six properties, no will, and no plan. Everything took longer. Everything cost more. The grief was hard enough without the paperwork.

The difference between those two stories was not money. It was timing. David started the conversation ten years early. Start yours this year.

5. Your will: the single most important document

If you take one action from this book, make it this: have a proper will, drawn up by a solicitor, and review it every few years.

Without a will, the law decides who gets what — and the law does not know your family. It does not know which child helps with the properties, or what promises you made.

A will also lets you name the people who will sort everything out — your executors — and, if you have young children, who will look after them. For a landlord, it should say clearly what happens to each property.

A will is not a one-time job. Marriage, divorce, new children, new properties — each one is a reason to look at it again.



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6. Structure, in plain words

Landlords often ask whether they should hold properties in their own name, jointly with family, or through a company. Each way has different consequences for inheritance tax — and for capital gains tax and stamp duty too.

There is no single right answer. What suits a landlord with two flats may be wrong for one with twenty. And moving properties from one structure to another can itself trigger tax bills — sometimes large ones.

So treat structure as a decision to make once, carefully, with advice — not something to tinker with every year. Get it right early and it quietly saves you money for decades.

7. What good planning looks like

Good inheritance tax planning is not about clever schemes. In forty years, I have never seen a clever scheme end happily. Good planning is boring: a current will, a clear list of what you own, an understanding of your allowances, and gifts made in good time.

Do it now, while you are well and clear-headed, and you give your family the greatest gift of all: no surprises. Just the properties, the plan, and your wishes — all written down.

That is what passing it on should feel like. Not a tax problem. A handover.

What to do next

If anything in this book has made you think about your own properties,
don't leave it as a thought. A short conversation now can save you
real money later — and it costs nothing to start.

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the same.”**

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