

# Christmas gifts that keep on giving

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Christmas shopping usually means a visit to the high street or browsing online retailers, but the season of giving can be a good time to make sure you're maximising your opportunities for [inheritance tax reliefs](#), whether to family, friends or charity, while spreading some seasonal cheer.

While larger gifts may be taken into account, anyone can make smaller gifts or gifts out of surplus income without it being taken into account for [inheritance tax](#) purposes, as long as some simple rules are followed.

Broadly, these come under two headings:

1. gifts where the allowance is automatic (if the gift fits the rules); and
2. those where the exemption must be claimed after death (such as gifts out of surplus income).

The automatic allowances include gifts to charities or political parties, gifts on marriage or civil ceremony, an annual exemption of £3,000, and small gifts up to £250 per person.

Any number of so-called **small gifts** can be made each year, of up to £250 per recipient, with no limit on the number of recipients, as long as no one person receives more than £250. If anyone receives more than £250, then the whole small gift exemption in relation to that recipient is lost for the year, not just the excess.

Alongside, the **annual exemption** of £3,000 can be used to make gifts to one or more people. There's an added benefit if the allowance isn't fully used in any year, as any remaining allowance can be carried forward one year. It cannot be combined with the small gift exemption for any one individual.

In any tax year, you can also give a cash gift when a friend or family gets married or has a civil ceremony. The limit is £5,000 for a child and £2,500 for a grandchild, or £1,000 for those outside immediate family, whether a friend, niece or cousin.

You can also make payments to help with another person's living costs, such as an elderly relative or a child under 18.

And if giving to charity is important to you at Christmas, it's worth knowing that gifts to charities and political parties will not count towards the total taxable value of your estate. You can also cut the Inheritance Tax rate on the rest of your estate from 40% to 36%, if you leave at least 10% of your 'net estate' to a charity.

*"These allowances are automatic, unlike the gifts from surplus income, but even so, it's a good idea to track any gifts as it will help to ensure that you keep inside the rules, and makes it easier in any later dealings with HMRC,"* said wills and trusts expert [James McMullan](#).

When it comes to relief on gifts from surplus income, record-keeping is essential as the gift will only qualify for exemption if it is part of a regular pattern of giving, and if you can demonstrate that you maintained your normal standard of living after making the gifts and all other usual expenditure.

James added: *"To make gifts from surplus income, it's essential you record your intention in writing, setting out that you mean to make the gifts regularly, and then keep a record of income and outgoings to demonstrate the money you gave was indeed out of surplus income. It doesn't need to be too complicated, just a simple log of your income received during the year and the amount spent, figures which could come from monthly and annual summaries on bank account statements."*

The exemption for gifts from surplus income must be claimed after death, by the executors of a person's will, and can be used for any regular payments, such as monthly contributions to a grandchild's savings account or payment of school fees, or making regular gifts on special occasions such as birthdays and Christmas.

Any other gifts made, unless they go into a trust, will be "potentially exempt transfers" known as PETs) which become exempt if you survive the making of the gift by seven years. Otherwise, the value will be brought into account for inheritance tax purposes.

James said: *"Making "gifting" part of an annual review is a good idea, as the rules do change from time to time. It's good practice to check back what you've done each year, just as it's important to keep your will up to date as circumstances change.*

*And remember, if you've run out of gift ideas for your spouse or civil partner, it's worth remembering that you can give them as much as you like during your lifetime, as long as they are living permanently in the UK."*

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

