

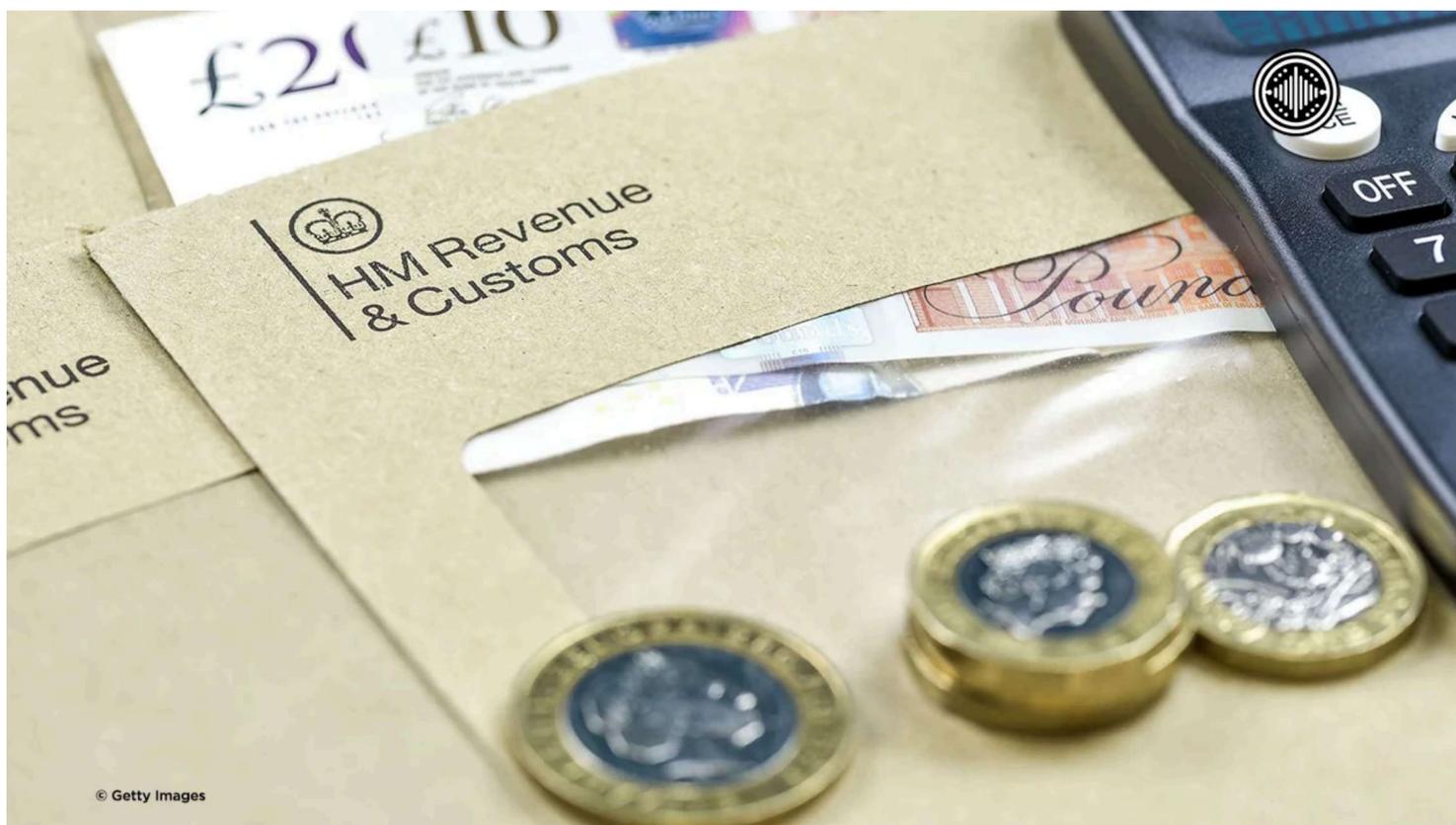
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## HMRC Issues Inheritance Tax Warning as More Families Face 40% Levy

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According to legal and financial experts, more families across the UK could unexpectedly pay a 40 % inheritance tax (IHT) bill as rising property values and financial assets push more estates over the tax-free threshold.

The warning comes amid growing concerns that many people attempting to plan their finances and protect their loved ones may inadvertently trigger hefty tax charges, despite having the best intentions. HM Revenue and Customs (HMRC) has been urged to clarify

common misconceptions around gifting, estate values, and partner status to help the public avoid falling foul of complex tax rules.

Hudda Morgan, a private wealth partner at law firm Spencer West, said her team has seen a marked increase in individuals seeking to reduce potential IHT bills through lifetime gifts and other arrangements. However, many are unaware of how these actions could backfire. “Without careful planning, this could potentially mean people unknowingly becoming liable for inheritance tax,” she said.

Inheritance tax currently applies to estates worth over £325,000 or up to £500,000 if the deceased leaves a primary residence to direct descendants such as children or grandchildren. Anything above those thresholds is typically taxed at 40 %.

Ms Morgan highlighted how lifetime gifts are often misunderstood. While individuals can give up to £3,000 each tax year, or £250 to multiple people without using the annual allowance, any amount above these figures could be taxed if the giver dies within seven years of making the gift. “Recipients of lifetime gifts over the donor’s inheritance tax allowances, where the donor dies within the first seven years of making the gift,” she noted, “could unexpectedly end up with a bill.”

Another common oversight is among long-term unmarried couples who assume they have the same legal benefits as married spouses. In reality, IHT exemptions and transferable allowances only apply to those who are legally married or in a civil partnership. “Unmarried couples thinking because they have been together for a long time, they will be treated as spouses and eligible for inheritance tax relief, they will not,” Morgan warned.

Each individual has a personal allowance of £325,000, and a further £175,000 allowance when leaving a primary home to a direct descendant. A surviving spouse or civil partner can inherit unused allowances from the deceased. Still, this rule does not apply to unmarried partners, regardless of the length or seriousness of the relationship.

The issue becomes more pronounced for wealthier households. Once an estate exceeds £2 million, the additional £175,000 residence nil-rate band begins to reduce and eventually disappears. With house prices in many areas continuing to climb, more people are now at risk of breaching that threshold, even without considering other savings or investments.

Despite public concerns, current HMRC data suggests that only around six % of estates are actually subject to inheritance tax. Nonetheless, anxiety around the potential liability has prompted many families to act hastily. “I see families coming to me in a panic, wanting to transfer assets out of their name to reduce an inheritance tax liability that doesn’t exist because they are within their allowances, and/or which might leave them without sufficient assets/financial security,” said Morgan.

She added: “The tax tail should never wag the dog.” The key, according to experts, is to take informed, measured steps when considering estate planning, rather than reacting to misconceptions or hearsay.

As more people fall into the IHT bracket through no fault of their own, understanding the detailed rules and seeking reliable professional advice will be critical to avoiding unnecessary costs and ensuring families are not caught out.