



Inheritance Tax (IHT) Terms with Examples

Term	Definition	Example
Nil-Rate Band (NRB)	The amount of an estate that is tax-free.	Estate worth £400,000; £325,000 is tax-free, £75,000 is taxable.
Residence Nil-Rate Band (RNRB)	Extra allowance when passing on your home to direct descendants.	Leaving your home to your children may add £175,000 to your tax-free threshold.
Chargeable Estate	The value of the estate after exemptions and reliefs.	Estate worth £600,000, minus £325,000 NRB and £175,000 RNRB = £100,000 chargeable.
Potentially Exempt Transfer (PET)	A gift that becomes exempt if the giver lives 7 years.	Gift £50,000 to your daughter; no IHT if you live 7 more years.
Chargeable Lifetime Transfer (CLT)	A gift that may be taxed immediately, often into trusts.	Gift £400,000 into a trust; £75,000 (above NRB) may be taxed at 20%.
Taper Relief	Reduces IHT on gifts made 3–7 years before death.	A £100,000 gift made 5 years before death may get 60% relief on IHT.
Exempt Beneficiaries	People or groups who don't pay IHT.	Gifts to your spouse or a charity are exempt from IHT.
Agricultural Property Relief (APR)	Reduces value of farmland for IHT.	Pass on a working farm; its agricultural value may be 100% exempt.
Agricultural Value	The value of land used strictly for farming, excluding development potential.	Farmland near a town may be worth £1 million on the market, but only £400,000 as agricultural value.
Business Property Relief (BPR)	Reduces value of business assets for IHT.	Leave a business worth £500,000 to your son; may qualify for 100% relief.
100% relief allowance	The amount of qualifying APR/BPR assets that can receive 100% relief (£2.5 million)	Leave qualifying farmland worth £2 million to your daughter. £2.5 million attracts relief at 100%, the remainder at 50%.



Capital Gains Tax (CGT) Terms with Examples

Term	Definition	Example
Base Cost	The original cost of an asset.	You bought a farm for £700,000. That is your base cost.
Rebasing	Adjusting asset value to 31 March 1982.	You bought land in 1975. Its 1982 value is used as your base cost for CGT.
Disposal	Selling or giving away an asset.	You sell a farm or gift it to your daughter — both are disposals.
Gain	Profit from selling an asset.	You sell a farm for £2 million that cost you £700,000. Your gain is £1.3 million.
Annual Exempt Amount	Tax-free allowance for gains.	Currently £3,000 per person. If your gain is £2,500, no CGT is due.
Private Residence Relief	Exempts gains on your main home.	You sell your only home. No CGT is due if it was your main residence.
Business Asset Disposal Relief (formerly Entrepreneurs' Relief)	Reduces CGT on business sales.	You sell your business and pay 10% CGT instead of 20%.
Holdover Relief	Defers CGT when gifting business assets.	You gift shares in your company to your child. CGT is deferred until they sell them. They calculate CGT using your base cost.
Rollover Relief	Defers CGT when reinvesting in new business assets.	You sell a farm and buy another. CGT is deferred until the new one is sold.
Market Value Rule	CGT is based on market value for gifts.	You gift a holiday cottage worth £350,000 to your child. CGT is based on that value, not £0.