

Proposed reform to allow IHT-exempt transfers between siblings

Synopsis: A private members bill, starting in the House of Lords, has been introduced to amend the Inheritance Tax Act 1984 to make transfers between siblings exempt from inheritance tax (IHT) in certain situations.

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The Inheritance Tax Act 1984 (Amendment) (Siblings) Bill ('the Bill'), which was re-introduced to the House of Lords in July this year, proposes to amend the Inheritance Tax Act 1984 by adding a clause 18A titled "Transfers between siblings".

The new clause aims to make transfers between siblings exempt from IHT in cases where the transferee sibling has resided in the same household as the transferor for a continuous period of seven years ending with the date of the transfer and has reached the age of 30 before that date.

For the purposes of the Bill, a sibling is defined to include half-brothers or half-sisters of the transferor but not step-brothers and sisters who are related only by the marriage of their respective parents.

The proposed change in law was no doubt prompted by the European Court of Human Rights case of *Burden and another v UK* [2008], where never-married sisters - Joyce and Sybil Burden, aged 88 and 81 respectively - argued that the existing UK IHT provisions were discriminatory in denying them the equivalent of the spouse exemption on death.

The sisters lost their case meaning that, unless and until the law is changed, there are likely to be many similar cases where the survivor of cohabiting siblings will be forced to sell the property to be able to pay the IHT.

Comment

While, in many other European countries that still impose taxes on death, some form of relief from tax is provided to siblings (either in the form of a limited exemption, a lower effective rate of tax or both), in the UK, only civil partners and married couples can currently claim exemption from IHT on any gifts between them.

The proposed amendments will, if they become law, help to relieve the IHT burden on siblings who have lived together for many years, have never married and are the main beneficiaries in each other's wills.

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