

Private Client eNews – 28 August 2007

Great Value

Where there is joint ownership of land, whether leasehold or freehold, the market value as at the date of death may be discounted to reflect the virtual impossibility of selling a part interest in the property.

The probate value of the deceased's interest is the discounted market value at the date of death divided proportionately between the co-owners.

If the surviving co-owner occupies the other half of the property a discount of 15% is usually considered reasonable. A discount of 10% is usually considered reasonable if the surviving co-owner does not.

This may ultimately have an effect on the capital gains tax liability for a beneficiary to pay. If the discount is taken, the acquisition cost for capital gains tax will be lower and so the gain will be larger.

Also, a result of the related property rules, the discount is not available where the co-owners are married to each other. Caution has also to be exercised where the co-owner is a trust.

That said, in the appropriate circumstances with property prices zenith-bound the saving in inheritance tax can be substantial.

Some thing to bear in mind if you are administering an estate or, indeed, if you are, or have been, a beneficiary of an estate where the discount may not have been applied.

If you have any queries you can phone or email Glenn Smyth or Rod Smith on glennsmyth@boltburdon.co.uk or rodsmith@boltburdon.co.uk or phone 020 7288 4700. Our full range of services includes Financial Planning, Trusts Wills & Probate, Property, Matrimonial and Family Law, Commercial Law, Commercial Dispute Resolution, Debt Collection, Compensation Claim Litigation. Visit our web site at www.boltburdon.co.uk. To stop receiving this bulletin, reply stating 'unsubscribe'.