

# How to beat the taxman

The Chancellor called it 'the most basic, human and natural aspiration', but how can you pass on an estate worth more than £1 million to your children without surrendering a large chunk to the taxman? Roderick Easdale finds out

**I**T was heavily trailed in the press that George Osborne's July budget would change inheritance tax (IHT) rates for the next five years. But now that the dust has settled, it's apparent that the changes will only affect the tax on properties inherited by the deceased's children or grandchildren, are being delayed, will not apply to houses worth more than £2.35 million and only apply in a limited way to those in the £2 million to £2.35 million bracket.

Are there other ways to pass on the family home that won't incur a large tax bill? One tried-and-tested method has been for the parents simply to hand over their house to their offspring and to carry on living there, but, now, they're required to pay rent at the market value to their children, the new owners, and many of the older generation don't have the wherewithal to do this.

Another alternative is for the parents to sell the family home to their inheritors at a discount, but continue living there essentially rent-free. It works like this: in order to reduce the value of the house, the parents need to award themselves a lease on the house at a peppercorn rent, for up to 20 years. The parents then sell the house to their beneficiaries. It's now worth much less as it's a far less attractive proposition to potential buyers—few will want to buy a house they can't use for 20 years



**Taxing matters:** Hawling House in Hawling, Gloucestershire, is on the market for £2.9 million through Savills (01451 832832). By following Andrew Symington's advice, the IHT liability for its future beneficiaries could be significantly reduced

and which will bring them, in effect, no income during this time.

Andrew Symington, managing director of Symington Elvery (020-3324 0360), explains: 'By this means, a house worth £3 million could be reduced quite legitimately in value to about £1.25 million. The children have to find the funds for the purchase and also pay the Stamp Duty Land Tax, which, in this example, would be £68,750.'


Tania Austin, a partner at Gardner Austin property solicitors (020-7821 2600), counsels: 'The sale must be for full market value and backed up by at least one independent valuation. There cannot be any assistance or gift from the parents to the children in order for them to purchase the property, so the children must have the funds to buy the house, and the parents cannot give back to the children any part of the purchase price paid.'

If the parents die within the period of the lease, the children don't inherit the house—as they already own that—but the lease on it. As Mr Symington explains: 'If both parents die after, say, 15 years, their lease will only have five years left. If the

market rent is £3,000 to £5,000 per month, it's hard to see someone paying more than, say, £150,000—thus the IHT liability is reduced from £3 million to £150,000, thus saving the children potentially up to £1.14 million in IHT.'

Miss Austin adds: 'Capital Gains Tax (CGT) will apply on the children when they then dispose of the property as it will not have been their main residence, so no principal private residence relief will be available to them, for that period at least. Despite this, CGT rates are much lower than IHT ones.'

A further potential benefit is that the house in our example, at a sale value of £1.25 million, now comes under the £2 million threshold for the new main-residence IHT relief announced in the July budget. The parents will no longer be passing down a house, but, because they owned a house on or after July 8, 2015, they could still be able to claim main-residence IHT relief.

How this will work in practice, the Government has yet to decide. It plans to announce how this aspect of the IHT tax change will be applied before the end of this year. 

## Property news

### Wind farms and grouse moors

In the latest issue of *Grouse Moor News*, Savills examine the pros and cons of running a wind farm on a commercial grouse moor. In light of the new legislation bringing an end to financial support for onshore wind farms, Roddy d'Anyers Willis of Savills Brechin says that owners who have already secured consent are lucky. Regardless of the loss of amenity (sportsmen from overseas particularly value an unblemished moorland), the revenue of a lease will exceed that of the moor 'at least in the short term'.





room with planning consent for staff accommodation.

Elsewhere, buyers prepared to look north of London will find that a budget of £2.5m buys a historic manor house with almost twice the living space—and three times the gardens and grounds of Mr and Mrs Paul's Wiltshire gem—in rural Northamptonshire, the often-overlooked county of squires, spires and outstanding schools. That's the price quoted by Strutt & Parker's Market Harborough office (01858 433123) for Grade II\*-listed The Manor House in the ancient village of Brigstock, eight miles from Kettering station, which boasts frequent connections to London St Pancras in about an hour.

Originally, The Manor House was a royal hunting lodge in the forest of Rockingham, and various kings from William I onwards lived at Brigstock at some point, although less frequently than at nearby Geddington. Its listing



**The Manor House at Brigstock in Northamptonshire (top) blends its medieval roots with modern comforts (above). £2.5m**

suggests that the present house was built in the late 15th century by the Montague family, who leased the manor from the Crown in 1449 and extended it in the mid 1500s, when the hall and porch roofs were raised and a gallery inserted. The house eventually passed to the Dukes of Buccleuch, who restored it in the mid 1800s, and, in 1890, commissioned the eminent Victorian architect John Alfred Gotch to

further extend it. For several decades after the Second World War, The Manor House was owned by British Steel before reverting to private use.

In 1998, it caught the eye of Northamptonshire entrepreneur Andrew Jones, who quickly bought it and embarked on a lengthy renovation programme of the house and its medieval moated grounds.

**‘We worked our way from top to bottom,’**

He vividly recalls: ‘The manor has been less than sympathetically restored but, thanks to an excellent local builder and advice from English Heritage, we worked our way through it from top to bottom, re-roofing the entire building, restoring windows, installing underfloor heating (there was no central heating) and replacing ugly cement pointing in the stonework with lime mortar. Fortunately the bedrooms were large enough with enough windows to allow us to create proper bathrooms without having to knock down walls.’

Centrally sited within its four acres of wooded gardens and grounds, the house is ‘a hidden gem, the existence of which many local people are completely unaware,’ Mr Jones adds.

And even the most extended of families will find room to manoeuvre within its 9,345sq ft of living space, which includes a reception hall, five reception rooms, a kitchen/breakfast room, a family room, a study, eight bedrooms, five bathrooms, a playroom and a gym. 🐾

## Lakeside retreat of the stars

TALK of a revival in the fortunes of prime country houses will be music to the ears of the vendors of idyllic Tickerage Mill near Blackboys, East Sussex, which has been relaunched on the market through the Lewes office of Strutt & Parker (01273 475411). Selling agent Tim Page-Ratcliff quotes a guide price of £2.3m for the enchanting five-bedroom main house with a cottage and 21½ acres of gardens, grounds and woodland; £650,000 for the one-bedroom Tickerage Mill Cottage, the Mill Building (an artist's studio) and 3.2 acres of gardens and water-meadows; £300,000 for Tickerage Wood, some 50 acres of ancient bluebell woods criss-crossed by bridleways; or £3.25 million for the picturesque small estate as a whole.

The mill has had many illustrious owners, including, in the 1920s, the artist Richard Wyndham and, later, Lord Snowdon's father, Sir Ronald Armstrong-Jones. In 1961, following her divorce from Laurence Olivier, Vivien Leigh sought refuge at Tickerage Mill, where she entertained lavishly; guests included Princess Margaret, John Gielgud and Sir Winston Churchill.

