MARLBOROUGH COLLEGE
FOUNDATION

Making a tax-effective legacy to Marlborough College

All UK legacies made to the Marlborough College Foundation from your taxable estate are exempt from Inheritance tax (IHT) because the Foundation is a registered charity. In addition, if you leave a minimum of 10% of your net taxable estate [1] to charity, current legislation reduces the IHT rate to 36%, reducing the effective tax rate to 32.4% [2], rather than 40%. On this basis other beneficiaries will receive only 2.4% less than if no gift was made to charity (see simplified example below).

There are several other options to structure charitable legacies in your Will, which you can discuss with your Solicitor. The simplest option is to leave a fixed, specified cash sum. If you are married or in a civil partnership, you may be advised to structure your legacy so that it takes effect on the second of you to die, either as a legacy set out in a Letter of Wishes or the legacy could be secured under a trust arrangement. Again, your Solicitor can advise.

	DONATION	NO DONATION
Net estate liable to IHT is £	100	100
Donate 10% to charity	10	0
The taxable estate reduces to	90	100
And is taxed at the revised IHT rate of 36% (donation) or standard rate of 40% (no donation)	32.4	40
Leaving non-charity beneficiaries with 2.4% less	57.6%	60%

Based on the above table, a net taxable estate of £1,000,000 making a 10% donation to charity would leave the estate with £576,000 to distribute as opposed to £600,000 if no donation is made. The charity benefits by £100,000 and the percentage of net estate received by beneficiaries is only 2.4% less than if nothing is given to charity.

For those who are concerned that costs of healthcare or grandchildren later in life may use up a substantial proportion of their resources, expressing charitable legacies as a percentage can be attractive, as it then reflects (and is proportionate to) the value of their estate when they die. Expressing a charitable legacy as a percentage can also help to ensure that the 10% required to obtain the lower 36% inheritance tax rate is achieved.

Disclaimer

This brief summary is accurate as of September 2024. However, this does not constitute tax or financial advice and importantly the tax treatment depends on individual circumstances and may change in the future. This is a complex area of tax law and you should take personalised tax and financial advice tailored to your specific circumstances by consulting your own advisers.

[1] The net taxable estate is calculated after all factors such as reliefs, exemptions, Nil Rate Bands (NRB) and unexpired Potentially Exempt Transfers (PET).

[2] Before application of any other exemptions or reliefs