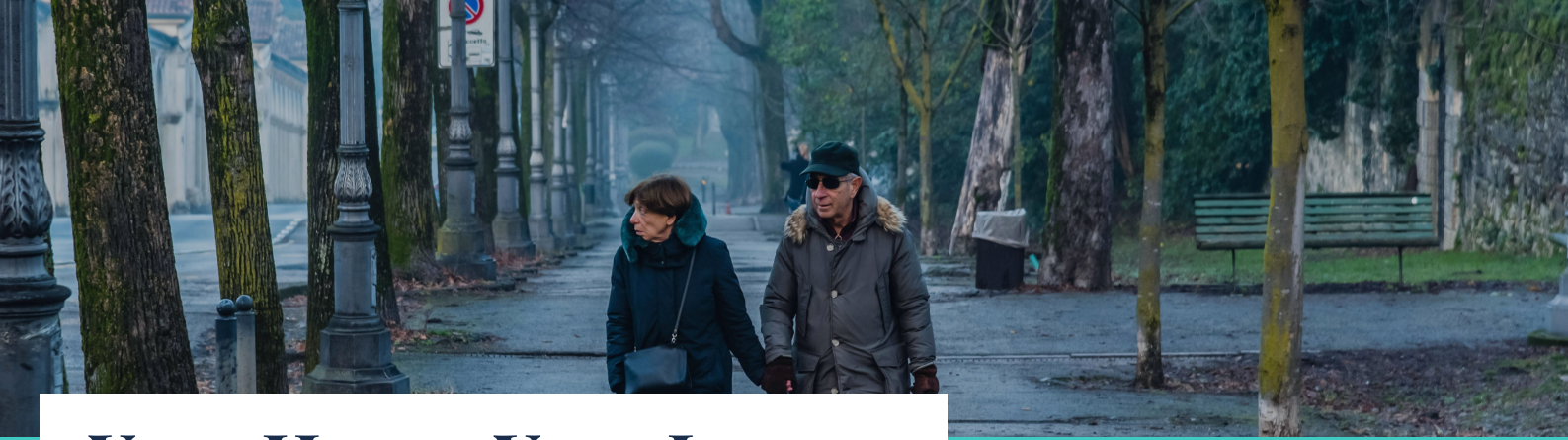


Residence Nil Rate Band (RNRB)



Passing your home to your family while reducing inheritance tax

This guide contains 14 pages and will take approximately 12 minutes to read



Your Home, Your Legacy

The Residence Nil Rate Band is one of the most valuable inheritance tax reliefs available, yet many families miss out. This guide explains how it works and how to make sure your family benefits.

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Understanding the Residence Nil Rate Band

The Residence Nil Rate Band (RNRB) is an additional allowance that can be claimed when a person's estate includes a residence that has been their main home at the time of their death. It is an additional allowance that can be claimed when a person's estate includes a residence that has been their main home at the time of their death.

It can be claimed in addition to the standard nil rate band. The amount you can claim is up to £1 million, which can be added to your standard nil rate band of £1 million.

Key Requirements

- The residence must be a main home at the time of death.
- The residence must be owned by the deceased.
- The allowance applies to estates valued at more than £1 million.



Your IHT Allowances for 2025/26

Understanding how the IHT thresholds will affect your inheritance tax liability is essential for effective estate planning.

Inheritance Tax Thresholds

£325,000

Standard Nil Rate Band (NRB)

£175,000

Residence Nil Rate Band (RNRB)

£500,000

Combined Individual Allowance

Frozen Until 2030

The IHT thresholds are frozen at current levels until at least April 2026. This means that, from 2026, the thresholds will remain the same as they are today, unless they are changed by legislation in the next year.

Who Qualifies as a Direct Descendant?

The NRIB is only available when your home owner is 'Direct Descendant' NRIB, within the family, but there are important exclusions to understand.

Qualifying Direct Descendants

- Children (including adopted children)
- Grandchildren (even if never formally adopted)
- Foster children who lived with you
- Grandchildren and great-grandchildren
- Spouses and civil partners of any of the above
- Widows, widowers, or surviving civil partners of descendants of the above

Who Does NOT Qualify

- Siblings and nephews (not direct descendants)
- Cousins (not direct descendants)
- Children of an unmarried partner (not formally adopted)
- Family with direct descendants who do not qualify

Did you know?

Adopted children qualify even if you changed their name after they became adults. The definition of the date of death is also relevant, but when the family definition applies.

How the RNRB Works in Practice

The RNRB applies automatically when you have a qualifying residence in your will. You do not need to make a specific claim during your will.

What Counts as a "Residence"?

The property must have been your home at some point. It does not need to be your main residence at death, but it must have been a genuine home, not just an investment property.

The "Closely Inherited" Requirement

The home must be "closely inherited" by your beneficiary. This means it passes to them:

- Directly from you
- Through intestacy rules
- By testamentary gift

Partial Inheritance

If only part of your home goes to your beneficiary, you receive a proportionate RNRB. For example, if half goes to your child and half to a charity, you receive half the RNRB.

Key Figures

£175,000

Maximum RNRB per estate in 2026

£2m

Maximum value of property eligible for RNRB

40%

Maximum rate of inheritance tax relief

Making the Most of Your RNRB

Understanding when the RNRB applies and when it does not can make a significant difference to your family's inheritance.

Many families mistakenly lose their RNRB through poor will drafting or by leaving property to the wrong people.

Common Pitfalls

- Leaving the RNRB to a beneficiary trust
- Including the RNRB in a will
- Leaving the RNRB to a beneficiary trust



The £2 Million Taper Explained

The amount available for each person is £1 million. The RNRB tapers to nil when the total amount of RNRB for each £1 above the threshold.

Estate Value	RNRB Available	Tax Saved
£1,800,000	£175,000 (full)	£70,000
£2,000,000	£175,000 (full)	£70,000
£2,100,000	£125,000	£50,000
£2,200,000	£75,000	£30,000
£2,350,000+	£0 (fully tapered)	£0

Planning Opportunities

- If you have a large estate, you can consider gifting assets during your lifetime to reduce the value of your estate and therefore the amount of RNRB available to your estate.
- If you have a large estate, you can consider gifting assets during your lifetime to reduce the value of your estate and therefore the amount of RNRB available to your estate.

Transferring Unused RNRB to Your Spouse

When the first spouse dies, any unused RNRB can be transferred to the surviving spouse. This is one of the most valuable features of the RNRB system.

How the Transfer Works

The transfer operates on a percentage basis, not a fixed amount. This means if 50% of the RNRB was unused when the first spouse dies, the survivor can claim 50% of whatever the RNRB is when they die.

Pre-2017 Deaths

Even if your spouse died before the RNRB was introduced in April 2017, you may still be able to claim their unused allowance. In these cases, the full 100% is always available regardless of their estate value.

The Claim Process

The transfer is not automatic. Your executor must make a claim within 12 months of the end of the month in which the first spouse died.

Don't Forget the Inheritance Tax

The RNRB works alongside other estate planning tools such as lifetime gifts, trusts, and wills. A comprehensive approach often works best to protect your family's wealth.

Case Study: Margaret & David

How much IHT planning could the couple's family £1,050,000 estate benefit from?

M&D

Margaret (75) & David (78)
Retired couple, married 40 years,
two adult children

Their goals: Keep family home Fair inheritance Minimise tax

Family home	£650,000
Savings & investments	£400,000
Total estate	£1,050,000

Without IHT planning

Estate value	£1,050,000
Less: NRB (x2)	- £650,000
Tax at 40%	= £160,000

With IHT planning

Estate value	£1,050,000
Less: NRB + RNRB (x2)	- £1,000,000
Tax at 40%	= £20,000

Saving £140,000 in tax

How much IHT planning could the couple's family £1,050,000 estate benefit from?

The couple's total estate is £1,050,000. Without any IHT planning, the estate would be subject to IHT at 40% on the value above the Nil Rate Band (NRB) and Residence Nil Rate Band (RNRB). This would result in a tax liability of £160,000.

By using IHT planning, the couple can reduce their tax liability to £20,000. This is achieved by using the RNRB for the family home and the NRB for the savings and investments. This results in a total exemption of £1,000,000, leaving only £50,000 of the estate subject to IHT at 40%.

RNRB Planning Checklist

Use this checklist to ensure you are meeting the most of your Residence Nil Rate Band (RNRB) planning objectives.

1 Review your will Ensure your will is up to date and reflects your current wishes and intentions.	2 Check your partner's will Ensure your partner's will is up to date and reflects their current wishes and intentions.
3 Review your estate plan Review your estate plan to ensure it is up to date and reflects your current wishes and intentions.	4 Review your partner's estate plan Review your partner's estate plan to ensure it is up to date and reflects their current wishes and intentions.
5 Review your property interests Review your property interests to ensure you are meeting your RNRB planning objectives.	6 Review your partner's property interests Review your partner's property interests to ensure they are meeting their RNRB planning objectives.
7 Review the RNRB rules Review the RNRB rules to ensure you are meeting your RNRB planning objectives.	8 Review your partner's RNRB rules Review your partner's RNRB rules to ensure they are meeting their RNRB planning objectives.

SAMPLE - FULL GUIDE AVAILABLE

Your Next Steps

Take these practical steps to ensure your family benefits from the Residence Nil Rate Band.

1

Review your current will

30 MINS

Read through your will and check who inherits your home. If you have a beneficiary, find out where else they have their investments, as they may be using the NRB.

2

Calculate your estate value

45 MINS

Add up your property, savings, investments, and other assets. Then, subtracting all debts, consider whether strategies like gifts or pension contributions could help.

3

Locate records to estate records

1 HOUR

If you are unclear, find the probate documents and estate accounts from your old spouse's estate. There are records to help reconstruct NRB.

4

Book an estate planning review

5 MINS

Book in a qualified financial adviser or solicitor who specialises in estate planning. A professional review can identify tax-saving opportunities specific to your situation.

Ready to take the next step?

Get in touch with [LEGAL AND PLANNING](https://www.legalandplanning.com) to book your free [FREE CONSULTATION](https://www.legalandplanning.com).



Your Logo Here

Protecting Your Family's Inheritance

The importance of your family's inheritance is significant for everyone who has assets. With professional advice and a plan in place, you can ensure your family's future is secure and your wealth is protected for generations to come.

Ready to take the next step?

Our team of experienced financial advisers is here to help you make the most of your estate planning opportunities. Call 0800 XXX XXXX or email advice@example.com to book your free consultation.

Your Financial Adviser | 123 High Street, London EC1A 1AA

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