

Personal Finance, The Mail on Sunday, 22 January 2012

Tenancy confusion

G.T. writes: I have read that you might be able to plan better for inheritance tax if you own your own house as tenants in common. What exactly does this mean?

Fiona Sharp replies: You can own property in two ways. Joint tenancy means both parties own the property equally. On death, the deceased's share automatically passes to the survivor.

If the survivor is a spouse or civil partner, then inheritance tax (IHT) does not apply. If the survivor is not your legal partner, and the value of the share of the property together with other legacies is in excess of the nil rate band of £325,000, then IHT may apply.

Tenancy in common allows for each person to own their share of a property absolutely. This share need not be 50:50. On death, the deceased person's share does not automatically pass to the survivor.

It can be left in a will or a trust, normally to children or other family members. This may reduce the estate for IHT purposes.

Using trusts can also protect the survivor against a future enforced sale by relatives or selling to pay for long term care.

Tenancy in common is often appropriate for cohabiting unmarried couples, relatives or friends buying together.