2026/27 REFERENCE GUIDE

UK Inheritance Tax thresholds and allowances

A practical two-page summary of the main nil-rate bands, the £1 million couple figure, the residence nil-rate band taper and common exemptions. Tax year: 6 April 2026 to 5 April 2027.

£325,000	£175,000	£500,000	£1 million
Standard nil-rate band	Residence nil-rate band	Potential total per person	Potential total for a couple

The £1 million figure is conditional

It is not an automatic tax-free allowance for every married couple or civil partnership. It normally requires both partners' unused £325,000 nil-rate bands and both unused £175,000 residence nil-rate bands to be available, with a qualifying home passing to direct descendants. The residence band may be reduced for estates over £2 million.

How the main thresholds work

Allowance	2026/27 amount	Main conditions
Nil-rate band	£325,000	Available against the taxable estate. An unused percentage may transfer to a surviving spouse or civil partner.
Residence nil-rate band	Up to £175,000	A qualifying home must pass to direct descendants. It is tapered for estates worth more than £2 million.
Potential individual total	Up to £500,000	£325,000 plus £175,000, where the residence conditions are met and taper does not reduce the band.
Potential couple total	Up to £1 million	Assumes full transfer of both unused bands and all residence-band conditions are met on the second death.

Residence nil-rate band taper

For estates above £2 million, the residence nil-rate band is reduced by £1 for every £2 over the threshold. Example: an estate worth £2.2 million is £200,000 over the threshold, so an individual £175,000 residence band is reduced by £100,000 to £75,000. The £325,000 standard nil-rate band is not tapered by this rule.

WORKED EXAMPLES AND CHECKLIST

From headline thresholds to an estate estimate

These simplified examples ignore reliefs, lifetime gifts, debts and other adjustments. They are illustrations, not a tax calculation for a particular estate.

Scenario	Simplified result
Individual estate of £500,000, including a qualifying home left to children	Potentially no IHT: £325,000 nil-rate band plus £175,000 residence nil-rate band, if all conditions are met.
Individual estate of £600,000 on the same assumptions	Potential taxable amount £100,000. At 40%, indicative IHT is £40,000.
Couple's estate of £1.2 million on second death, with all unused bands transferable and a qualifying home left to children	Potential taxable amount £200,000. At 40%, indicative IHT is £80,000.
Individual estate of £2.2 million, including a qualifying home left to children	Residence band reduced to £75,000 by taper. Combined potential threshold £400,000 before other adjustments.

Other figures that commonly matter

40%
Main IHT rate above the available threshold

36%
Reduced estate rate where the charitable-giving test is met

£3,000
Annual gift exemption per donor

£250
Small-gift exemption per recipient

Before relying on a headline allowance

Check ownership and beneficiary wording; whether a home qualifies; whether direct descendants inherit; the £2 million taper; transferable percentages from a deceased spouse or civil partner; gifts made in the previous seven years; debts and funeral costs; charitable gifts; business or agricultural relief; trusts; pensions and overseas assets.

Use the full guide and calculator

For definitions, more examples and links to the underlying HMRC guidance, visit inheritancetaxdoctor.co.uk/thresholds-and-allowances/. The site's calculator is indicative and keeps entered values in your browser.

Official sources

HMRC, Inheritance Tax thresholds: gov.uk/inheritance-tax
HMRC, Residence nil-rate band: gov.uk/guidance/inheritance-tax-residence-nil-rate-band
HMRC, Gifts and exemptions: gov.uk/inheritance-tax/gifts

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