

You should assume that today's date is 15 March 2022.

Opal is aged 71 and has a chargeable estate for inheritance tax (IHT) purposes valued at £950,000.

She owns two properties respectively valued at £374,000 and £442,000.

The first property has an outstanding repayment mortgage of £160,000, and the second property has an outstanding endowment mortgage of £92,000.

Opal owes £22,400 in respect of a personal loan from a bank and she has also verbally promised to pay legal fees of £4,600 incurred by her nephew.

Opal expects the cost of her funeral to be £5,200 and this cost will be covered by the £6,000 that she has invested in an individual savings account (ISA).

Under the terms of her will, Opal has left all of her estate to her children.

Opal's husband is still alive. On 14 August 2010, Opal had made a gift of £100,000 to her daughter and on 7 November 2021, she made a gift of £220,000 to her son.

Both these figures are after deducting all available exemptions.

The nil rate band for the tax year 2010-11 is £325,000.

You should assume that both the value of Opal's estate and the nil rate band will remain unchanged for future years.

Questions 21: What is the net value for the two properties, and related mortgages, which will have been included in the calculation of Opal's chargeable estate of £950,000?

- A. £816,000
- B. £564,000
- C. £656,000
- D. £724,000

Questions 22: Which TWO of the following amounts will have been deducted in calculating Opal's chargeable estate of £950,000?

- A. Personal loan from a bank of £22,400
- B. Promise to pay legal fees of £4,600
- C. Funeral cost of £5,200
- D. ISA investment of £6,000

Questions 23: Which TWO of the following amounts will have been deducted in calculating Opal's chargeable estate of £950,000?

- A. Personal loan from a bank of £22,400
- B. Promise to pay legal fees of £4,600
- C. Funeral cost of £5,200
- D. ISA investment of £6,000

Questions 24: What amount of IHT will be payable in respect of Opal's chargeable estate valued at £950,000 were she to die on 20 March 2022?

- A. £250,000
- B. £338,000
- C. £378,000
- D. £335,600

Questions 25: By how much would the IHT payable on Opal's death be reduced if she were to live for another seven years until 20 March 2029, compared to if she were to die on 20 March 2022?

- A. £88,000
- B. £40,000
- C. £128,000
- D. £0