

## Technical Insights - Quick reference guide

### *Residence Nil Rate Band (RNRB) – The downsizing addition*

This guide will provide you with the information you require to advise your clients on the Residence Nil Rate Band (RNRB) downsizing addition. These provisions look to protect the availability of the additional nil rate band where someone has sold their home, given it away or downsized to a less valuable home.

#### *The downsizing addition can help secure the RNRB*

Where an individual has sold, downsized or given away their property their estate may still benefit from the RNRB. Providing certain conditions are met, the estate could benefit from the maximum RNRB which would have been available if the individual had died while in ownership of the original property. This is referred to as the 'downsizing addition'.

#### *The following conditions must be met*

- the person sold, gave away or downsized to a less valuable home, on or after 8 July 2015, and
- the former home would have qualified for the RNRB if they'd kept it until they died, and
- their direct descendants inherit at least some of the estate

The downsizing addition is calculated in percentage terms, by looking at the percentage of RNRB 'lost' due to the sale/gift of the property or downsizing. The estate's personal representative must make a claim for the downsizing addition within 2 years of the end of the month that the person dies.

#### *5 Steps to calculate the lost RNRB:*

##### **Step 1**

Check the amount of RNRB which would have been available during the tax year which the home was sold or given away. For example, if the house was sold during the 2018/19 tax year, the RNRB would be £125,000. If the sale/gift took place prior to 6 April 2017 the RNRB is £100,000.

Add to this the value of any transferable RNRB which is available to the individual during the tax year of death.

Example: Spouse predeceased leaving 100% of the RNRB unused and no tapering applied. The second death occurs during the 2024/25 tax year when the RNRB is £175,000.

In the above examples, the total amount for Step 1 is £125,000 + £175,000



##### **Step 2**

Divide the value of the former home at the date of the move or when it was sold or given away by the figure in step 1, and multiply the result by 100 to get a percentage. The percentage will be limited to 100% where the former home value is greater than the figure in step 1.



##### **Step 3**

If there's a home still within the estate, divide the value of the home by the RNRB that would be available at the date the person dies (including any transferred RNRB). Multiply the result by 100 to get a percentage (limited to 100%).

If there's no home in the estate at the time the person dies this percentage will be 0%.



##### **Step 4**

Deduct the percentage in step 3 from the percentage in step 2.



##### **Step 5**

Multiply the RNRB threshold that would be available at the time the person died by the figure from step 4. This gives the amount of the lost additional threshold.

### Example 1:

Mavis sold a property for £250,000 in September 2019. She moves into residential accommodation so doesn't buy a replacement. RNRB was £150,000 in the 2019/20 tax year. Mavis dies in May 2024 when the RNRB is £175,000.

#### Following the steps the RNRB is calculated as follows:

1. The maximum RNRB available when the home was sold was £150,000
2. The home was worth £250,000 when it was sold.  $\frac{£250,000}{£150,000} = 166.67\%$ . This is limited to 100%
3. There is no home left in the estate so step 3 calculation is 0%
4.  $100\% - 0\% = 100\%$
5. The threshold on death is £175,000 and the legal personal representatives of Mavis' estate can claim 100% of this assuming she leaves at least £175,000 to lineal descendants (see part 1 of the quick reference guide)

### Example 2:

Arthur sold his home in December 2020 for £500,000 and buys another for £150,000. He lost his spouse in 2014 and her entire RNRB entitlement transferred in 2014. Arthur dies in September 2024, the new property is worth £170,000. At the time of his death the RNRB is £175,000.

#### Following the steps the RNRB is calculated as follows:

1. The maximum RNRB available when the home was sold was £175,000. There is also a transferred RNRB of 175,000. Total value is £350,000
2. The home was worth £500,000 when it was sold.  $\frac{£500,000}{£350,000} = 142.86\%$ . This is limited to 100%
3. When Arthur dies his home is worth £170,000. This is divided by the maximum RNRB available at death.  $\frac{£170,000}{£350,000} = 48.5714\%$
4.  $100\% - 48.5714\% = 51.4286\%$
5. The maximum RNRB at time of death is £350,000 and the legal personal representatives can claim 51.4286% of this for the downsizing provisions, £180,000. The remainder of the RNRB (£170,000) is used against his main residence.

This example is fictional and for illustrative purposes only and does not constitute advice. Individual circumstances are subject to change."

#### The information provided in this article is not intended to offer advice.

It is based on Quilter's interpretation of the relevant law and is correct at the time it was written. While we believe this interpretation to be correct, we cannot guarantee it. Quilter cannot accept any responsibility for any action taken or refrained from being taken as a result of the information contained in this article.

### quilter.com

*This communication is issued by Quilter, a trading name of Quilter Investment Platform Limited, who provides an Individual Savings Account (ISA), Junior ISA (JISA), and Collective Investment Account (CIA), and Quilter Life & Pensions Limited, who provides a Collective Retirement Account (CRA) and Collective Investment Bond (CIB).*

*Quilter Investment Platform Limited and Quilter Life & Pensions Limited are registered in England and Wales under numbers 01680071 and 04163431, respectively.*

*Registered office at Senator House, 85 Queen Victoria Street, London, EC4V 4AB.*

*Quilter Investment Platform Limited is authorised and regulated by the Financial Conduct Authority under reference number 165359. Quilter Life & Pensions Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under reference number 207977.*

*Advice on cash held on deposit is not regulated by the Financial Conduct Authority.*

*Bondsmith is a trading name of Bondsmith Savings Ltd, who provides the CashHub (CHB) distributed by Quilter Investment Platform Limited. Bondsmith Savings Ltd is registered in England and Wales under number 13223331.*

*Registered office at 124-128 City Road, London, EC1V 2NJ.*

*Bondsmith is authorised and regulated by the Financial Conduct Authority.*

*Quilter uses all reasonable skill and care in compiling the information in this communication and in ensuring its accuracy, but no assurances or warranties are given. Investors should not rely on the information in this communication when making investment decisions. Nothing in this communication constitutes advice or a personal recommendation. This communication is for information purposes only and is not an offer or solicitation to buy or sell any Quilter product.*

*Data from third parties is included in this communication and those third parties do not accept any liability for errors and omissions. Investors should read the important information provided by the third parties, which can be found at [quilter.com/third-party-data](https://www.quilter.com/third-party-data).*

**Published:** May 2024 **Last reviewed:** March 2026

QIP 21306/206/15725