

# NewsLetter

## For Trusts & Estates Practitioners

### Welcome

Welcome to the April 2014 edition of the HMRC Trusts & Estates Newsletter.

If you have any issue that you would like addressed in a future edition, please email the [Customer Service Team](#).

The next edition of the newsletter will be August 2014.

Linda Allen  
Head of HMRC Trusts & Estates.

### Contents

Welcome .....	1
Contents.....	1
Inheritance Tax payments – Issue of receipts .....	1
The Swiss Agreement and Inheritance Tax accounts .....	2
Changes to the 2013-14 Trust and Estate Tax Return .....	2
New Inheritance Tax forms, IHT205, IHT217 and IHT206 – Notes to help you fill in the IHT205.....	2
Exempt excepted estates – deduction of liabilities .....	3
Telling us about amendments to an IHT400.....	3
Support for Agents.....	4
Amendments to Trusts & Estates manuals .....	5

### Inheritance Tax payments – Issue of receipts

When all the Inheritance Tax (IHT) banking operations were transferred to HMRC Banking at Cumbernauld in 2008, HMRC Trusts & Estates stopped issuing receipts for Inheritance Tax payments as part of their normal practice. As HMRC Trusts & Estates is still receiving cheques and requests for receipts in Nottingham, this article is a reminder that the recommended method of payment for Inheritance Tax is electronic which will therefore show as a payment to HMRC on the bank statement.

HMRC counts electronic payments as the following:

Internet & Telephone banking  
CHAPS transfer  
Faster Payments.

If you cannot pay by these means then HMRC can accept cheques, but will not issue a receipt. You should send your cheque, along with the payslip, to:

HMRC Banking  
St Mungo's Road  
Cumbernauld  
Glasgow  
G70 5WY

Please make sure you write the Inheritance Tax reference on the back of the cheque, together with the name of the deceased. Please do not send anything other than the payslip with your cheque.

[How to pay Inheritance Tax](#)

## The Swiss Agreement and Inheritance Tax accounts

HMRC Trusts & Estates is aware of some instances where the beneficiaries or executors of an estate have paid the 'one-off charge' under the [2011 Tax Agreement between the UK and Switzerland](#). The payment satisfies historic tax liabilities in respect of assets held in Switzerland. If you have made such a payment, you will have received a clearance certificate from the relevant Swiss bank confirming you cease to have any further liability for, amongst other taxes, Inheritance Tax in relation to the assets detailed on the certificate for charges arising before 1 January 2013.

However, the Swiss asset still forms part of the deceased's estate and may affect the Inheritance Tax that is payable on any other assets in the free estate and any aggregable fund, for example, settled property. It is clear from the cases we have seen, and from some comments on internet forums, that the consequences of making the 'one-off' payment are not fully recognised.

If the Swiss asset was not declared in the IHT400 or IHT205, and either the nil rate band was already exceeded or the additional Swiss asset (for which a clearance certificate is now held) means that the nil rate band is now exceeded, then you must tell HMRC Trusts & Estates about the Swiss assets. Whilst the IHT attributable to the Swiss assets is covered by the 'one-off' charge, the tax payable in

respect of the Free Estate or other aggregable property remains payable. Please also provide a copy of the clearance certificate from the Swiss bank.

## Changes to the 2013-14 Trust and Estate Tax Return

The main changes to the 2013-14 Trust & Estate Tax Return and supporting notes can be found in this guidance note on the HMRC website.

[Changes to 2013-14 Trust Return](#)

## New Inheritance Tax forms, IHT205, IHT217 and IHT206 – Notes to help you fill in the IHT205

On 19 February 2014, HMRC Trusts & Estates published a new form IHT205(2011) Return of estate information and IHT206(2011) – Notes to help you fill in form IHT205(2011) and revised the existing form IHT217 claim to transfer unused nil rate band for excepted estates.

The main reason for revising the IHT205 and IHT206 was to change the pension questions on the form IHT205(2006) because customers had misinterpreted them. Because Alternatively Secured Pensions (ASPs) ceased to exist on 6 April 2011 and are now relatively uncommon, we have removed these questions on the IHT205. You will also see the form and notes look different as they have been rebranded and redesigned. We hope this will result in a reduction in the number of calls to the Helpline.

The revised IHT217 replaces the current version of the form and

should be used where the person died on or after 6 April 2010.

The new form IHT205(2011) and IHT206(2011) Notes should be used when the person died on or after 6 April 2011.

[form IHT205\(2011\)](#)

[IHT206\(2011\) Notes](#)

[form IHT217](#)

## Exempt excepted estates – deduction of liabilities

The Finance Act 2013 introduced rules that restrict the deduction of liabilities in certain circumstances (s.162A-C and s.175A). These rules have been extended to a limited extent to excepted estates by virtue of the Inheritance Tax (Delivery of Accounts) (Excepted Estates) (Amendment) Regulations SI 2014/488 and apply where the death is on or after 1 April 2014.

The rules about excepted estates are largely concerned with gross values, so liabilities normally have no impact. But liabilities are taken into account in determining the net chargeable value of an exempt excepted estate so there are two new rules that apply.

Where borrowed money was used to acquire, enhance or maintain excluded property, that liability may not be taken into account in arriving at the net chargeable value, even if one of the relieving provisions in s.162A would apply. If discounting the liability means that the net chargeable value exceeds the IHT nil-rate band, form IHT400 must be delivered with an explanation as to how the relieving provisions apply.

A liability may only be deducted against an estate to the extent that it is actually discharged out of the

estate (s.175A). If the personal representatives know, when filling in form IHT205, that a particular liability will not be repaid from the estate, that liability should not be taken into account in arriving at the net chargeable value. Similarly, if it turns out that a liability that was taken into account is not repaid; the liability must be added back. If the net chargeable value then exceeds the IHT nil-rate band, the adjustment must be reported to HMRC.

The assumption that liabilities will be repaid, described at [IHTM28031](#), applies when working out the net chargeable value for an exempt excepted estate. For further guidance, please see [IHTM06028](#)

## Telling us about amendments to an IHT400

Trusts & Estates are keen to reduce the amount of correspondence that is sent dealing with minor amendments to IHT400s. Over the last few years, we have looked at a number of ways that would reduce the burden of this work and we have worked with some of our customers to test these.

As a result, from 01 May 2014, and in certain circumstances, you will not need to tell us every time you find out about a new amendment to the value of an estate. Instead you will be able to tell us about all the amendments to an estate in one go. You can do this by sending us form C4 Corrective Account or C4(S) Corrective Inventory when you believe that these are the final amendments to the value of the estate, or 18 months has passed since the date of death, whichever is earlier.

Taxpayers or their agents will be able to do this on a purely voluntary, case by case, basis. You do not need to tell us whether you are choosing to

save up amendments and this is open to all cases providing they do not fall within the following criteria:

- We have written to the personal representatives to tell them that we are starting a compliance check, in which case we would expect you to report any amendments as identified.
- The deceased's estate on death includes:
  - a qualifying interest in possession in settled property, or
  - a gift with reservation of benefit.
- There is an overall change in the value of the estate of more than £50,000 - before any exemptions or reliefs are deducted.
- The amendments relate to changes in the value of land or buildings or unlisted shares.
- The amendments relate to a claim for loss on sale of land or shares.
- Assets have been sold on which tax is being paid by instalments.

If the estate has not been settled within 18 months you will need to start telling us about amendments as they arise, again.

We will still charge interest on any unpaid tax on cases where you decide to save up your amendments. If you want to stop interest from accruing on any unpaid tax, you can send us a [payment](#) on account.

We have updated the Inheritance Tax manual to reflect this practice including a new page at [IHTM31023](#) that provides further information.

Trusts & Estates will be contacting the customers that we believe will benefit most from these practices. But we would also encourage everyone who feels they will benefit from adopting this practice to do so.

## Support for Agents

Tax agents and advisers play an important role in helping their clients to get their tax returns correct. As a specialist tax there are risks for our customers around keeping up to date with current legislation and processes. We are committed to helping you get it right through our guidance. This includes guidance aimed for and developed in partnership with agents like the Inheritance Tax, Capital Gains and Trusts & Estates Toolkits: [support for agents](#)

In addition we have previously attended conferences and Society of Trusts & Estates Practitioners (STEP) events to talk face to face about current issues, common errors and topics requested by STEP members. These have tended to be ad hoc and infrequent but well received in terms of their value. In 2014/15 we intend to do more of this. Some of the topics that we are thinking of covering are:

1. Claims based on equitable principles
2. Excepted estates
3. World-wide charge to IHT
4. Incorrect accounts
5. Deliberate penalty gift cases

We will be very pleased to hear from you if you are organising an event with Inheritance Tax and/or Trusts tax advisers and would like to request our participation. To make events cost effective for us we would need you to be expecting at least 50 delegates.

Please contact Angela Atkin on 03000 562 743 to discuss.

## Amendments to Trusts & Estates manuals

### Inheritance Tax Manual (IHTM)

- We updated our guidance at [IHTM18333](#) and [IHTM30402](#) to reflect our current processes.
- We also rewrote and updated the whole of [IHTM27000](#) onwards, about foreign property, although the guidance at IHTM27079, IHTM27080 and IHTM27104 is still being reviewed and will be amended again soon.
- We added some more examples to the guidance on restricted deductions at [IHTM28024](#).

In February:

- We rewrote and updated the whole of [IHTM33000](#) onwards, on loss on sale of land and also rewrote the guidance at [IHTM42165](#) on agricultural and business relief on relevant property.
- We corrected an error in the calculation at [IHTM45031](#)

### Trusts, Settlements and Estates Manual (TSEM)

We have not made any amendments to the TSEM since our last newsletter.

The contents of this newsletter are not binding on HMRC and reflect news and views current at the time of writing.