



# NewsLetter

For Trusts & Estates Practitioners

## Welcome

Welcome to the August 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 December 2014.

Linda Allen  
Head of HMRC Trusts & Estates.

## Contents

Welcome .....	1
Contents.....	1
Trusts & Estates Helplines:	
Withdrawal of our 0845 telephone numbers.....	1
Finance Act 2014 .....	2
Heritage Property.....	3
Amendments to Trusts & Estates manuals .....	4

## Trusts & Estates Helplines: Withdrawal of our 0845 telephone numbers

In 2013, HM Revenue & Customs (HMRC) Trusts & Estates changed the telephone numbers for the: Probate and Inheritance Tax Helpline Trusts and Deceased Estates Helpline

to: – **0300 123 1072**

We have continued to run the 0845 3020 900 and 0845 6046 455 numbers to make the change easier for our customers.

From late August, customers using an 0845 number will hear a message telling them that the line will be closing. They will be given the **0300 123 1072** number and their call will be handled as normal.

In December, the message will change to tell callers that the 0845 line is closed, give them the **0300 123 1072** number and the call will end without being dealt with.

If you are calling from outside the United Kingdom, the number will be **+44 300 123 1072**

HMRC Trusts & Estates forms are being updated to show the new helpline number but they may continue to show the old numbers for a short time.

## Finance Act 2014

The Finance Act 2014 contains a number of changes to the Inheritance Tax legislation.

### 1. Deduction of liabilities

Amendments have been made to s.162A, s.162C and s.175A introduced by Finance Act 2013, so that no deduction is allowed for money that is borrowed and used to fund a qualifying foreign currency bank account that is left out of account under s.157. The foreign currency account is treated in the same way as money that is borrowed and used to acquire, enhance or maintain excluded property. This treatment applies to transfers of value made on or after 17 July 2014.

A new page has been added to the IHT Manual at [IHTM28033](#) and consequential amendments made to other pages

### 2. Relevant property trusts filing and payment date

Where a relevant property trust is subject to IHT, the date for filing the return and paying the tax has been changed to 6 months after the end of the month in which the charge arose. The change in the filing date will affect all relevant property trusts; the change in the payment date will affect relevant property trusts where the charge to IHT arises between 5 April and 30 September, as previously, the payment date was 30 April in the following year. This change applies to chargeable events arising on or after 6 April 2014.

The IHT Manual has been updated accordingly.

### 3. Retained income

Income from a trust fund that has been retained as income by the trustees for more than five years instead of being distributed to the

beneficiaries or added to the capital of the trust is now to be treated as relevant property and subject to IHT for the purposes of the ten-year charge. There will be no reduction in the rate of tax that is charged by reference to when the income arose. Any such income should be added to the trust capital and returned in the appropriate asset box on form IHT100. This applies to ten-year anniversary charges arising on or after 6 April 2014.

It is not necessary, for this purpose, for the trustees to keep highly detailed records of movements on the income account. Unless a specific part of income has been distributed, HMRC will assume that income is distributed on a 'first in; first out' basis, so that to arrive at any balance that should be treated as relevant property, trustees may take the balance on the income account immediately before the ten charge year arises and deduct from it the income that has arisen during the five preceding years. Any remaining balance should then be treated as relevant property.

Where trust accounts are not made up to the anniversary of the trust, HMRC will generally be content to follow the trustees' reasonable approach to allocating income to the five year period immediately before the ten year charge.

A new page has been added to the IHT Manual at [IHTM42166](#).

### 4. Employee Ownership Trusts

Transfers to a trust that meet the conditions to qualify as an Employee Ownership Trust (EOT) for Capital Gains Tax & Income Tax purposes are exempt from IHT. Such trusts will usually meet the conditions to qualify as an Employee Benefit Trusts (EBT) and be exempt from IHT under the existing EBT rules. However, the rules applying to EOTs are stricter and may mean that some trusts would not meet the normal

conditions of s.86. To make sure that transfers to an EOT are exempt from IHT, new sections 13A, 28A & 75A have been added to the IHTA. Consequential amendments have been made to sections 29A, 72, 86 & 144. The new provisions apply to transfers made on or after 6 April 2014.

The IHT Manual has been updated accordingly.

## Heritage Property

### Conditional Exemption - Archives and Undertakings

#### Undertakings

In cases where Conditional Exemption under IHTA84/s31(1)(a) and s31(1) (aa) is being claimed we ask for undertakings from the new owner. In some cases, we have found that the way the access requirements are shown on the undertaking can cause problems. For example, currently the undertaking should contain acceptable proposals for open public access. But these access arrangements may need to be frequently updated, unless the objects or collections are on long term loan to a museum or gallery, or are in a property that is regularly open to the public. The terms of the undertaking usually need to be updated to reflect these changes every time they are made. To avoid this we will be using a more generic form of access provision in all current and future cases. The portion of the undertaking relating to access will contain the following text:

- (i.) Open public access will be provided to..... on a minimum of ..... days a year or comparable multiples thereof every two or three years and by appointment at all other reasonable times. We will notify HM Revenue & Customs in

October of the proposed access arrangements, as appropriate, for the coming year to allow them to be advertised as set out at 3(d) below.

- (ii.) We understand that the provision of access without the necessity of a prior appointment, which includes taking steps for advertising of that access and the prompt notification of those steps to HMRC, is a statutory requirement under Section 31 of the 1984 Act and failure to secure public access without prior appointment will constitute non-observance of this undertaking in a material respect. In that event, a claim to Inheritance Tax will arise under Section 32 of the 1984 Act.
- (iii.) When not on display the ..... will be available either to an individual who would like to view any of the objects in connection with research or study, whether or not as part of an academic course, or to curators of appropriate public collections in the United Kingdom on loan for special exhibitions.
- (iv.) To provide images of ..... on request to curators of public exhibitions or directing them to a place where such image is available, and in either event notifying them that ..... is available in accordance with but subject to the foregoing provisions of this paragraph. Any such images shall be provided without prejudice to any subsisting copyright whether in ..... or in the images themselves.

## Archives

In cases where the statutory requirements to preserve and provide open public access to archives are met by keeping them in a record office or library regularly open to the public, applicants for Conditional Exemption might be asked to provide a financial contribution. This is to meet the costs of preserving and cataloguing the material concerned, to ensure it is identifiable and retrievable and in a fit condition for members of the public to view.

## Amendments to Trusts & Estates manuals

### Inheritance Tax Manual (IHTM)

In April:

- We updated our guidance at [IHTM06013](#) and added a new page at [IHTM06028](#) to reflect changes to the excepted estate regulations
  - We amended the guidance at [IHTM10751](#) to [IHTM10755](#) to take account of changes to our forms
  - Chapter [IHTM31000](#) was substantially rewritten to reflect our current practice.
  - New pages [IHTM31030](#) to [IHTM31034](#) were added to the manual, showing examples of how to calculate Inheritance Tax.
  - New guidance about when you can tell us about amendments to an IHT400 was added to the manual at [IHTM31023](#), [IHTM10701](#), [IHTM10702](#), [IHTM36081](#), and [IHTM36106](#). We also updated our existing guidance to reflect these changes.
  - We amended [IHTM34032](#) to show the time limits for making a claim for loss on sale of shares
- We made a minor amendment to [IHTM43001](#) clarify the guidance on this page.
- In June
- We amended the address on [IHTM11291](#) for applications in respect of death on active service.
  - Example 1 in [IHTM11033](#) was amended.
  - The guidance on pages [IHTM13042](#), [IHTM13046](#) and [IHTM13049](#) was amended to make it clearer.
  - The references to the legislation in Chapter [IHTM13000](#) were amended
  - The guidance on [IHTM30462](#) was amended to show the correct time limits
- In July:
- We updated our guidance at [IHTM10803](#) and [IHTM10836](#) to reflect the new time limit for delivering an account for a relevant property trust charge that arises on or after 6 April 2014.
  - We updated our guidance at [IHTM28010](#), [IHTM28011](#), [IHTM28026](#), [IHTM28032](#) and [IHTM28033](#) to reflect the new provisions in Finance Act 2014 that restrict deductions where borrowed money was used to fund a qualifying foreign currency account.
  - We updated our guidance at [IHTM30154](#) and [IHTM30361](#) to reflect the new time limit for payment of tax where charge arises on or after 6 April 2014 for a relevant property trust.
  - We updated our guidance at [IHTM42162](#) and [IHTM42224](#) to reflect new provisions in FA2014 that affect the treatment of income retained in a relevant property trust where a ten year charge arises after 6 April 2014.
  - A new page at [IHTM42166](#) was added to reflect new provisions in FA2014 that affect the treatment of income retained in a relevant property trust where a ten year charge arises after 6 April 2014.

- We updated our guidance at [IHTM42929](#), [IHTM42948](#), [IHTM42950](#), [IHTM42953](#), [IHTM42958](#), [IHTM42960](#), [IHTM42961](#), [IHTM42971](#), [IHTM42978](#) and [IHTM42981](#) to reflect our current approach.
- New guidance at [IHTM42995](#) to [IHTM42997](#), on the Inheritance Tax treatment of Employee Ownership Trusts, was added to the manual.
- New guidance at [IHTM43001](#) and [IHTM43065](#) was added to the manual following the case of *Loring v Woodland Trust*.

### **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.