



Newsletter

For Trusts & Estates Practitioners

Welcome

Welcome to the June 2015 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 2015.

Linda Allen
Head of HMRC Trusts & Estates.

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Changes to the 2014-15 Trust & Estate Tax Return

There have been some changes to the 2014-15 Self Assessment Trust and Estate Tax Return and supporting guidance notes.

The main changes are:

SA900 – main part of the return

- Page 3 – Q5. The reporting limit for capital gains has been increased to £44,000.
- Page 6 – Q10A. The heading now also refers to patent royalty payments which trustees need to put in boxes 10.5A to 10.7A.
- Page 12 – box 21.7 - disclosure of tax avoidance schemes. The promoter reference number (or scheme reference number) needs to be included here.

SA950 – notes on the SA900

- Page 6 – first flowchart question - are you the trustee of an unauthorised unit trust (UUT)? For some UUTs, changes to the UUT tax regime will involve a change of basis period of calculating income. For more information go to [Unauthorised Unit Trusts: tax year 2014 to 2015](#).

- Page 9 – Q5 – capital gains. The annual exempt amount and reporting limit have been increased to £11,000 and £44,000 respectively.
- Page 21 – Q10A - do you want to claim any reliefs or have you made any annual payments, deemed payments or patent royalty payments? Trustees of a UUT who have made, or are treated as having made, deemed payments should tick the ‘Yes’ box and complete boxes 10.2A to 10.4A, following the guidance at [Unauthorised Unit Trusts: tax year 2014 to 2015](#).
- Page 26 – Q18 – if the trust or estate has paid too much tax do you want to claim a repayment? Please note that if the tax has been paid by credit or debit card, we will always try to repay back to the card first before making any repayment as requested in boxes 18.1 to 18.12 of the SA900.

SA901 Notes – Trade notes

- Page TTN3 – boxes 1.14 to 1.23 – capital allowances and balancing charges. From 6 April 2014 if you buy or sell a property the new owner will not be able to claim allowances for fixtures if the past owner did not pool their qualifying expenditure on the fixtures. Pooling includes making a claim for FYA or Annual Investment Allowance in respect of the expenditure. It is not necessary for the last owner to claim writing down allowances. As a rule, the past owner is the last person who was entitled to claim capital allowances on the fixtures.

SA903 Notes – UK property notes

- Pages TLN7 – boxes 3.33 and 3.35 – capital allowances and balancing charges. From April 2014 if you buy or sell a property the new owner will not be able to claim allowances for fixtures if the past owner did not pool their qualifying expenditure on the fixtures. Pooling includes making a claim for FYA or Annual Investment Allowance in respect of the expenditure. It is not necessary for the last owner to claim writing down allowances. As a rule, the past owner is the last person who was entitled to claim capital allowances on the fixtures.

SA904 Notes – Foreign notes

- Page TFN12 – boxes 4.21 and 4.23 – capital allowances and balancing charges. From April 2014 if you buy or sell a property the new owner will not be able to claim allowances for fixtures if the past owner did not pool their qualifying expenditure on the fixtures. Pooling includes making a claim for FYA or Annual Investment Allowance in respect of the expenditure. It is not necessary for the last owner to claim writing down allowances. As a rule, the past owner is the last person who was entitled to claim capital allowances on the fixtures.

If, however, if the trust has income from property that is not a furnished holiday letting and the property that the trust or estate lets is a dwelling house (including a flat), capital allowances are not available on any plant or machinery, furniture or fittings supplied.

SA905 Notes – Capital gains notes

- The annual exempt amount and reporting limit have been increased to £11,000 and £44,000 respectively.

SA906 Notes – Non-residence notes

- Page TNRN1 - note 3 - deciding the trustees’ residence status for Income Tax and Capital Gains Tax purposes. The wording has been changed to confirm that only where the trustees acting during the period of non-residence are corporate will the foreign income for that period not be assessable for the year.

Finance Act 2015

The Finance Act 2015 contains a number of changes to the Inheritance Tax Act.

Section 74 Finance Act 2015 extends the exclusion of awards and decorations awarded for valour or gallant conduct to all awards, decorations and medals that are specified in the ‘Order of Wear’. The current version of the ‘Order of Wear’ was published by the London Gazette in March 2003,

Section 75 Finance Act 2015 makes some changes to the existing exclusion for death on active service and adds two new provisions. Firstly, the existing exclusion from IHT for death on active service is extended to the tax that is payable on lifetime gifts that arises as a result of the death. Secondly, the exclusion for death on active service is extended to emergency service personnel and to constables and armed forces personnel who die as a result of being targeted because of their status.

[Draft guidance for the changes to death on active service has been published at www.gov.uk](http://www.gov.uk)

Bereavement Service

The new process that we introduced in October 2014 removed the need for the form R27 to be completed. This followed a commitment from HMRC to simplify a complicated time-consuming process for bereaved customers at what was a very difficult time for them.

This article responds to some concerns from agents that they could not see the resulting benefits to customers. The article explains why the changes were introduced, their impact, and the results of the changes.

Over 90% of the 400,000 bereaved cases that HMRC handle each year are simple PAYE cases that only require an in-year calculation, the vast majority resulting in repayment.

HMRC committed to deliver significant improvements to the way it responds to bereaved customers and to deliver a joined up bereavement service based around the customer. We undertook customer research, speaking to customers who had dealt with HMRC when settling the tax affairs of someone who had died. They said there were three things HMRC could do to improve their service:

Make it easy for them

Be prompt and efficient

Be sensitive and professional.

Following a review of our services to meet those customer requirements, HMRC decided to stop issuing form R27 to the Personal Representative

(PR) and replace this with an automated process that calculates the tax liability of the person who has died based on information HMRC already holds.

The form R27 was burdensome on several levels:

- The same form was issued to everyone regardless of their particular circumstances.
- It covered every possible area that we might need to know about.
- It asked for information which the PR might not know.
- The error rate was extremely high in completing the form. In excess of 50% of forms had to be returned.
- It was difficult for the PRs to obtain all of the information, creating unnecessary contact from the customer to request it.
- Self Assessment (SA) Customers were faced with a choice of forms to complete, R27 or an SA Return.

HMRC now issue an automated output letter, P1001, to the PR advising them that a tax calculation will be issued.

We also issue to every bereaved customer a detailed helpsheet providing some basic information, signposts to telephone numbers and links to websites where the customer is able to obtain additional help and support.

We also ask for details of any agent the PR would like to act for them. We accept this information as we would a 64-8.

For those customers from whom we need a SA Return we have enhanced the service by introducing a “whole customer view” approach whereby we review other work areas such as VAT, outstanding payments being worked by Debt Management, NICs etc. to see if there is any ongoing activity and advise the customer accordingly. We will also advise those work areas of the customer’s death.

This new process will save customers in excess of £10m per annum in time and costs as well as reduce their burden at a very difficult time. Detailed below is more information on what happens under the new process for both PAYE and SA customers.

PAYE customers

If a bereaved customer uses the “Tell us Once” service one of the questions asked is “are you able to

provide the details of the person handling the deceased's estate?" If they are, those details are entered on to HMRC records. The customer can give the Personal Representative (PR) details to HMRC over the telephone. We then issue a letter (P1001) to the PR to advise them that we have noted our records. We explain that they do not need to do anything else as we are waiting for income and tax details to be confirmed.

If the bereaved customer chooses not to use the "Tell Us Once" service, we will issue a letter (P1000) 16 days following a verified date of death. This letter will be addressed to the PR at the deceased customers address asking for the name and address of the PR.

Both letters ask the PR to let us know if there is a third party acting. We accept this information as we would a 64-8.

We then review the case to see if we can issue an in-year calculation. In 80% of cases we can and do so within 8 weeks from the date of death. We recognised that there may be the need for a claim to be made for repayment of tax paid on other taxed income such as bank or building society interest and this is why we highlight the R40 repayment procedure in the helpsheet mentioned above.

If we are made aware of any additional income we will amend the calculation. So far we have only amended less than 1% of cases for this reason. Any income included in the PAYE Tax code such as Land and Property will be apportioned and included in the automatic calculation issued to the PR. Advice is provided on the calculation to contact HMRC should this require revision.

SA customers

If a bereaved customer uses the "Tell us Once" service, one of the questions asked is "are you able to provide the personal details of the person handling the deceased's estate?" If they are, those details are entered on to HMRC records and reviewed to see if the deceased customer met the criteria for Self-Assessment. If they do not, we close down the Self-Assessment record and advise the customer by issuing the P1003(SA) letter. The process shown above for PAYE customers will then be followed.

If the customer does meet the criteria for Self-Assessment, we issue a return to the PR together with a P1004 (SA) letter requesting further information. The P1004 (SA) letter includes a section for the PR to inform HMRC if there is an agent acting.

If a bereaved customer chooses not to use the "Tell Us Once" Service, we review the Self-Assessment record 30 days after the verified date of death to decide if the customer meets the criteria for Self-Assessment.

If they do, we issue a P1000 (SA) letter to request details of the PR and agent details. Once we have received those details the process referred to above where the deceased customers meet the SA criteria will be actioned.

Period of Administration or New Trust

Following a review of R27's we identified that only 5% were referred to Trust and Estates for further review because of the size of the estate or that a new trust was being created.

IHT400 Timelines

When will I hear from Trusts & Estates

You recently told us that you would like to know when you can expect to hear from us, after you've sent us a form IHT400 'Inheritance Tax Account'. The process can be complex, so we have produced a timeline showing the IHT400 journey. You can find this at appendix A of this newsletter.

We can't tell you exactly how long it will take to finalise your account as each case is different. But our timeline should give you a reasonable idea of when you and your clients can expect to hear from us.

Inheritance Tax Clearance letters

We have recently reviewed our processes for issuing clearance letters on Inheritance Tax cases where we believe the tax position is settled. You may have noticed a recent change to the standard wording,

where all the tax due has been paid. We are now using the wording 'All the Inheritance Tax due has been paid, except for any tax which is being paid by instalments' in most cases where the tax position is settled, whether or not instalments are due. This brings the wording into line with the form IHT30, 'Application for a clearance certificate', and makes our clearance process more secure. You will also be seeing another change to our clearance letters soon. Each clearance letter will contain a unique identifying code. This unique code will be your proof that HMRC has issued your letter. We will no longer sign or stamp these letters.

Inheritance Tax Online

The Chancellor announced that HMRC will be investing in a new online service to support the administration of Inheritance Tax (IHT) at Autumn Statement 2013 in line with our Digital by Default strategy.

When complete this service means there will no longer be a need for paper versions of forms as IHT Online becomes available to personal applicants and agents. Initially this will allow a number of questions to be answered online to confirm where no IHT liability is due, which will enable the application for probate to proceed. This service will be progressively enhanced to enable all customers, including agents, to submit Inheritance Tax accounts online making the process more streamlined and transparent.

It will also mean that Inheritance Tax will be joined up behind the scenes with HMRC's other IT systems. This will improve the effectiveness of our customer service and allow information to be shared across the Department more easily.

The IHT Online service is due to become available over the course of a number of phases, with testing to start in the summer this year. The first of these phases, becoming available in the Autumn, will result in online functionality for sub-threshold cases for personal applicants (including agents in their own capacity as executors) in England and Wales.

The second phase will extend this online functionality for simple taxpaying cases in 2016.

Further phases will continue to add more capability and we'll use this newsletter to tell you how the work to provide IHT Online is progressing.

Amendments to Trusts & Estates Manuals

Inheritance Tax Manual (IHTM)

On 30 January 2015 we published updates to the Inheritance Tax manual to remove out of date guidance on our internal processes.

Trusts, Settlements and Estates Manual (TSEM)

On 9 January 2015 we published a new section of guidance on non-resident trusts at [TSEM10000](#). This gives guidance on:

- whether a trust is non-resident, and
- what to do when a non-resident trust is first set up.

It also explains the tax consequences for trustees, settlors and beneficiaries.

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

Appendix A

When will I hear from Trusts & Estates about my IHT400 Inheritance Tax Account?

Weeks
1 and 2

Once an IHT400 Inheritance Tax Account (the 'Account') has been received, Trusts & Estates aims to issue the Inheritance Tax: probate summary (IHT421) within 10 working days. To avoid any delay in getting the grant of probate you should pay any Inheritance Tax at the same time you send us your Account - as we can't issue the IHT421 until payment has been made. We cannot process the IHT400 or begin our review of the Account until the tax has been paid. No receipt will be issued in respect of payment.

Weeks
3 and 4

Once the payment has been confirmed Trusts and Estates complete a number of administrative tasks in preparation for the initial review of the Account by our Risk team.

Weeks
5 to 11

Trusts & Estates undertake targeted risk assessment of all Accounts. The complexity of the estate can impact on the length of time that an Account is with our Risk team. A selection of Accounts are identified for our Compliance team to carry out a compliance check. Any cases not selected for a compliance check will be dealt with by our Service caseworking teams.

We aim to let you know if an Account has been selected for a compliance check within 16 weeks of receipt of the Account.

The initial letter will generally not ask for further information but will let you know in which of our offices the Account will be worked and also, if known, the name of the Compliance caseworker who will be your contact point for all subsequent communication.

The Compliance caseworker needs to consider the information you have provided in the Account but will aim to make contact with you within 8 weeks of the initial letter.

Weeks
12 to 20

Trusts & Estates need to confirm the accuracy of any property or other valuations that have been put forward in an Account. If the Account has been selected for a compliance check the consideration of the valuation will form part of the overall check. In all other cases the Valuation Office Agency (VOA) or HMRC Shares & Asset Valuation (SAV) will be asked to check the valuations. It is possible that you will be contacted by the VOA or SAV before any contact is made by Trusts & Estates.

Trusts & Estates aim to send you a letter and a calculation of any additional Inheritance Tax due, within 20 weeks of receipt of the Account once the valuations have been agreed with the VOA or SAV. If the valuations cannot be agreed the issue of this letter may take longer. Trusts and Estates will generally not need to contact you throughout the valuation exercise unless negotiations have reached a stalemate or there are contact issues.

In all other circumstances your case will be sent to the Service caseworking teams who will aim to finalise the tax position and prepare the case for closure. Trusts & Estates Service team aim to contact you by letter within 20 weeks of the receipt of the Account.