HM Revenue & Customs

Notes to help you fill in form IHT205(2011)

These notes only apply when the deceased died on or after 6 April 2011 and you are filling in form IHT205(2011) 'Return of estate information'.

If the deceased died before 6 April 2011, you will need the correct form IHT205 and IHT206 'Notes' for the date of death. These are available from our website and helpline:

- go to www.gov.uk/inheritance-tax
- phone our helpline on 0300 123 1072

Read these notes carefully as they will help you to fill in form IHT205(2011) 'Return of estate information' correctly. You may make yourself liable to financial penalties if the information you give in the form is incorrect, incomplete or false.

These notes are designed to help you fill in form IHT205(2011). They cannot explain everything about Inheritance Tax.

If you have any questions about Inheritance Tax and probate that these notes do not answer, or if you need any help to fill in form IHT205(2011):

- go to www.gov.uk/inheritance-tax
- phone our helpline on 0300 123 1072
  - if calling from outside the UK, phone +44 300 123 1072

Note that you may be required to fill in forms for the probate service, in addition to the Inheritance Tax forms, to apply for a grant of representation. For more information go to www.gov.uk/inheritance-tax or phone our helpline.

We have a range of services for disabled people. These include guidance in Braille, audio and large print. Most of our forms are also available in large print. Contact our helplines for more information.

Where do I send the forms?

When you have finished filling in form IHT205(2011) and any other forms required by the probate service, you should send all the forms for:

- applications in England and Wales, to the Probate Registry of your choice (read the HM Courts Service booklets PA2 and PA4)
- applications in Northern Ireland, to either the Probate Office in Belfast or the District Probate Registry in Londonderry (read the booklet 'Dealing with a deceased person's estate')

HM Revenue and Customs (HMRC) recommends that you keep a copy of the signed form for your records as you may need details of the estate or a copy of the form at a later date. HMRC will not be able to give you a copy.

Do not send the forms to HMRC Trusts and Estates (unless claiming a transfer of unused nil rate band after the issue of the grant of representation - go to page 27).

Some definitions

In these notes 'we' or 'us' means HMRC Trusts and Estates.

We refer to the person who has died as 'the deceased'.

We refer to the deceased's husband or wife as their 'spouse'. A spouse is a person who is legally married to someone else.

A 'civil partner' is someone who has legally registered a civil partnership with another person.

'IHT' means Inheritance Tax.

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Introduction

You usually need a grant of representation to get access to most of the assets in the deceased's estate. The most common types of grant are:

- a grant of probate, where the deceased left a will
- a grant of letters of administration, where the deceased did not leave a will

You may hear both types of grant referred to as 'probate'. If you do not need to get a grant of representation then you do not need to complete a form IHT205.

Before you can get a grant, you need to pay any Inheritance Tax that is due, or be able to show that there is no Inheritance Tax to pay. For most estates there is no tax to pay and you will only need to fill in form IHT205(2011) to give brief details of the estate.

If there is tax to pay, or if the affairs of the deceased do not meet certain conditions, you will have to provide a formal account of the estate by filling in form IHT400 'Inheritance Tax account' and sending it to us.

You should start with form IHT205(2011). It will guide you through the various conditions that apply and help you to decide whether or not you need to fill in an IHT400 'Inheritance Tax account'.

Where to start

For many people, this will be only the first or second time that they have had to deal with probate and Inheritance Tax. In most estates, matters are very straightforward and form IHT205(2011), together with these notes, will help you to get things right. But before you start, we have some answers to the questions that are most often asked of our helpline. Have the form IHT205(2011) in front of you when you go through these notes so that you can see which part of the form we are referring to. The first part of the following notes refer to the information at the top of form IHT205(2011), before question 1.

Points to remember

Using the right form

You can use form IHT205(2011) provided that the deceased was domiciled in the United Kingdom (UK) and there is no tax to pay because the gross value of the estate is less than or equal to:

- the excepted estate limit
- twice the excepted estate limit and you are claiming a transfer of unused nil rate band on form IHT217 from the estate of a spouse or civil partner who died before
- £1million and all or part of the estate passes to the deceased's spouse or civil partner, a qualifying charity or other UK national body

You may find as you go through the form that some other conditions mean you must stop and fill in an IHT400 instead. But provided these initial conditions are met, you can start with form IHT205(2011). If you are filling in form IHT205(2011) then a form IHT421 'Probate summary' is not needed.

What is meant by 'gross value'

The gross value of the estate for Inheritance Tax is the total of all the assets that make up the deceased's estate before any of their debts are taken off, plus any gifts made by the deceased.

What is meant by 'estate'

For Inheritance Tax purposes, a person's estate is made up of:

- assets in the sole name of the deceased
- their share of any jointly owned assets
- nominated assets
- assets they have given away, but kept an interest in
- assets from which they benefit, where they have elected not to pay the Income Tax charge
- assets in certain types of trust, in which the deceased had a right to benefit

The total of these assets is added to the chargeable value of any lifetime gifts made in the 7 years before death, to work out the amount on which tax is charged. (The chargeable value of gifts is the value of the gift after any exemptions are taken off.)

What the 'excepted estate limit' is

The excepted estate limit is normally the same as the amount above which Inheritance Tax is payable (the Inheritance Tax threshold or nil rate band). The nil rate band is currently frozen for the tax years 2009 to 2015 at £325,000 but to find

the most up to date excepted estate limit on the website, go to www.gov.uk/inheritance-tax

The Inheritance Tax nil rate bands for earlier years are:
- £285,000 for tax year 2006 to 2007
- £300,000 for tax year 2007 to 2008
- £312,000 for tax year 2008 to 2009

What is meant by 'domiciled'

Your domicile is the country where you intend to live for the remainder of your life. It is the country whose laws decide, for example, whether a will is valid, or how the estate of a person who has not made a will is dealt with when they die.

The fact that someone was born in the UK and has lived here for most of their life, or had moved to the UK permanently many years ago, gives a good indication that they might be domiciled in the UK, but this can be a complicated legal issue. You can get more information about domicile. Go to www.gov.uk/guidance/inheritance-tax-double-taxation-relief

If you are unsure about the deceased's domicile status, you might want to seek professional advice.

Transfers of unused nil rate band from the estate of a spouse or civil partner who died before

Transfer of unused nil rate band

Since 9 October 2007, it has been possible for spouses and civil partners to transfer their unused nil rate band. This means that any part of the nil rate band that was not used when the first spouse or civil partner died can be transferred to the surviving spouse or civil partner for use by their estate on their death.

New rules mean that if the whole of the nil rate band is available to transfer to the estate of the second spouse or civil partner to die and you need to claim the transferred nil rate band, you may still use the excepted estates procedures if certain rules apply. These rules are that:
- the person who has died now, died on or after 6 April 2010
- their spouse or civil partner who died before them died on or after 13 November 1974
- when the spouse or civil partner died their estate did not use up any of the nil rate band available to it, so the whole of the nil rate band is available to transfer
- the estate of the person who has died now is valued at less than twice the excepted estate limit and IHT205 is being filled in

An example of when the whole of the nil rate band is available to transfer

Ralph died leaving a widow, Rita. All of Ralph's estate valued at £300,000 passed to Rita under the terms of Ralph's will. As everything that passes to a surviving spouse or civil partner is exempt from Inheritance Tax, all of the nil rate band is available to transfer to Rita's estate when she dies.

If the whole of the nil rate band is available to transfer, that means that the estate of the spouse or civil partner who dies second has double the nil rate band before any Inheritance Tax becomes payable.

What this means for excepted estates

It also means that the excepted estate limit for the estates that qualify is effectively doubled. For the tax year 2011 to 2012 this is £650,000.

If this applies to the estate you are dealing with you should fill in forms IHT205(2011) and IHT217 to claim the transfer.

An example of when the whole of the nil rate band is not available to transfer

Morag died on 1 May 2008 (when the nil rate band was £312,000) leaving a surviving civil partner, Alison. Morag's estate was valued at £400,000. In her will Morag left £100,000 to her daughter Gemma and the rest of her estate to Alison. Alison has now died leaving her estate valued at £500,000 to Gemma. As the £100,000 that passed to Gemma on Morag's death was not exempt from Inheritance Tax, £100,000 of the Inheritance Tax nil rate band (£325,000 in 2011 to 2012) was used up.

You will need to fill in forms IHT400 and IHT402 'Claim to transfer unused nil rate band' instead of form IHT205(2011) if you want to transfer the unused nil rate band and the whole of the nil rate band is not available.

For copies of the forms IHT400 and IHT402:
- go to www.gov.uk/inheritance-tax
- phone our helpline on 0300 123 1072

Assets passing to a spouse or civil partner or to a qualifying charity

Why it matters whether the estate passes to the spouse or civil partner or to a qualifying charity

Broadly, assets that pass to the deceased’s spouse or civil partner or to a qualifying charity are exempt from Inheritance Tax. So, if most of the assets pass to the deceased’s spouse or civil partner, or to a qualifying charity, it is likely that there will be no tax to pay. If there is no tax to pay because of these exemptions, and the estate meets the other conditions that apply, mainly that the gross value is £1million or less, you will not have to fill in an IHT400. But there are some restrictions to these exemptions.

What is meant by qualifying charity

By qualifying charity, we mean a charity established in the European Union (or other specified country) which:

- would qualify as a charity under the law of England and Wales
- is regulated as a charity in the country of establishment (if appropriate)
- has managers who are fit and proper persons to be managers of the charity

Other qualifying bodies

Other qualifying bodies include UK national organisations such as the National Trust and National Gallery.

If you are not sure if an organisation is a qualifying charity or UK national body you should phone our helpline on 0300 123 1072.

Assets which pass to a qualifying charity

Assets that pass to a qualifying charity are exempt from Inheritance Tax. The legacy must pass directly and unconditionally to the organisation. It must not pass into a trust for the benefit of the organisation concerned.

Assets which pass to the spouse or civil partner

Where assets pass to the deceased's spouse or civil partner, both the deceased and their spouse or civil partner must have been domiciled (had their permanent home) in the UK throughout their lives.

If either of them did not and the gross estate (the figure at box H) is likely to be more than the excepted estate limit, do not fill in form IHT205(2011) - you will need to fill in form IHT400 instead.

If you would like more information about ‘domicile’ go to www.gov.uk/guidance/inheritance-tax-double-taxation-relief

It does not matter whether the assets pass directly to the spouse or civil partner, or whether they pass to a trust from which the spouse or civil partner is entitled to benefit.

Jointly owned assets

About assets owned jointly with other people

Bank and building society accounts, stocks and shares and houses and land are the assets most usually owned in joint names. If the deceased owned any assets jointly with another person or people, you will need to include a value on the form for the deceased's share of the assets in the estate.

Where assets are owned jointly by 2 or more people, the way in which those assets are owned makes a difference for probate and which box you use to enter the value on the form. The 2 types of ownership, ‘joint tenants’ and ‘tenants in common’ are explained below.

Joint tenants

If the deceased held an asset with someone else, and their share passes automatically to the other joint owner we call the asset a ‘joint asset’ and the joint owners are known as ‘joint tenants’. Joint bank accounts are usually owned in this way.

You should work out the value of the deceased’s share in a joint asset by dividing the value of the whole asset by the number of joint owners. Include this value in box 9.2. However, you should read the paragraph ‘Valuing joint bank accounts’ on page 9 of these notes.

Tenants in common

If the deceased:

- held an asset with someone else
- their share passes under their will (or if they did not make a will, under the rules of intestacy) to the other joint owner or to someone else

the joint owners hold the asset as 'tenants in common'. The deceased's share is usually in proportion to the money they contributed to buy the asset or the amount they put into a joint account.

You should list each asset held as 'tenants in common' in box 13, give the value of the whole of the asset, and state the deceased's share, for example, half, third, etc.

You should then include the value of the deceased's share of an asset owned as tenants in common in the relevant box in section 11.

So, if the asset held as tenants in common was the deceased's house, include it in box 11.8 and so on. If the asset was not in the United Kingdom (UK), include it in box 9.5.

How to find out if a jointly owned asset is owned as joint tenants or tenants in common

If the asset is a house or land, the Land Registry documents may be able to help. You can get a copy of the title register for the property from the Land Registry website. Go to www.landregistry.gov.uk

The names of all the joint owners will be given on the title register and if it is held as tenants in common that should also be shown by the addition of a restriction on the Land Registry document known as a 'Form A restriction'.

The Form A restriction will be in the following words (or similar).

'No disposition by a sole proprietor of the registered estate (except a trust corporation) under which capital money arises, is to be registered unless authorised by an order of the court.'

The Land Registry document will not say what share of the property was owned by each owner. To find out the share owned by each owner you will need to look at the declaration of trust document or, if the property was inherited jointly, the will by which it was inherited.

Jointly owned bank accounts

Most joint bank accounts in England and Wales are held as joint tenants, but if you want to check this, contact the banks and they should be able to tell you.

Other jointly owned assets

If any asset is purchased by 2 or more people together, the asset will be automatically owned as joint tenants unless the owners direct otherwise. So there should be some documents that show that a particular asset is held as tenants in common.

Why it makes a difference how jointly owned assets are held

The deceased's share of jointly owned assets, owned either as joint tenants or tenants in common, are included in the value of the estate for Inheritance Tax purposes.

But if the joint ownership was as joint tenants (most joint bank accounts and many houses are owned as joint tenants) the assets pass automatically to the other joint owner(s) when one dies, so the value of these assets is not included in the value of the estate for the grant of probate or letters of administration.

That is why the deceased's share of these assets is shown in section 9 on page 3 'Assets added to the estate for Inheritance Tax', for which a grant is not required.

If the joint ownership was as tenants in common the value of the deceased's share must be shown on the grant of probate or letters of administration. The deceased's share of these assets is shown in section 11 on page 4 'Deceased's own assets for which a grant of representation is required'.

What you should do first

What to do now

Make a thorough search of all the deceased's papers. Make a rough list of their assets, investments, their other financial interests and the debts they owed when they died.

If the deceased had to fill in Self Assessment tax returns, they may have kept records to fill in those forms and these may help. Bank statements and building society passbooks may help you to discover whether any gifts were made. Remember that although the income from certain assets such as ISAs is not liable to Income Tax, both the capital and the income are liable to Inheritance Tax and must be included.

You may also find it useful to ask others what they knew of the deceased's financial affairs. People who might be able to help are:

- any solicitor or accountant who dealt with the deceased's affairs
- the deceased's close family (especially to discover gifts)
- anyone named in the will who might know about the deceased's affairs
- any close business associates of the deceased
- the deceased's bank, stockbrokers or other financial advisers (the bank may have other papers or valuables lodged with them for safekeeping)

You will need to make quite detailed enquiries so that you can find out about everything that makes up the deceased's 'estate'.

When you have completed your rough list of assets etc, you will need to find out the value of each of the assets concerned.

It is very important that you provide full and accurate information and value the assets correctly, because you may make yourself liable to a financial penalty if the values you give or the information you provide is incorrect, incomplete or false.

What to do when you have got the assets and the values sorted out

When you have got a good idea about the assets that make up the estate, and their values, add up the figures. If the gross value of all the assets, when added to the chargeable value of any gifts the deceased made, is less than or equal to £1million, you may continue to fill in form IHT205(2011).

But, if the gross value:

- is more than £1million or
- is more than the excepted estate limit (or twice the excepted estate limit where you are claiming a transfer of unused nil rate band) and no assets pass to the deceased's spouse or civil partner or to a qualifying charity

do not fill in any more of form IHT205(2011) - you will need to fill in form IHT400 instead.

Valuing assets

How to value all the assets

For Inheritance Tax purposes, you have to value all the assets as if each item had been sold on the open market on the date the person died. This is called the 'open market value'. It represents the realistic selling price of an asset, not an insurance value or replacement value.

You should be able to value some of the estate assets quite easily, for example, money in bank accounts, stocks and shares. In other instances, for example, houses and land, you will probably need the help of a professional valuer. When you employ a valuer, make sure you ask them to give you the 'open market value' of the asset.

There is more detailed help about valuing different types of assets later on in these notes.

Valuing assets owned jointly

It does not matter whether the assets are owned as joint tenants, or as tenants in common, (read the guidance on joint tenants and tenants in common on pages 6 and 7) the starting point in valuing the deceased's share is their share of the whole value. So, if 3 people contributed equally to a bank account with £900 in it and it was held as joint tenants, the deceased's share will be £300 and that should be entered in box 9.2. But there are some special rules about valuing other types of asset.

Valuing a share in houses, buildings and land

If the deceased owned houses, land and buildings with other people you should start by working out the value of the deceased's share.

If the other joint owner is not the deceased's spouse or civil partner, you can reduce the value of the deceased's share by 10%. But if the house, land or building is wholly owned by husband and wife or civil partners, special rules apply and you should not reduce the deceased's share by 10%.

Valuing joint insurance policies

If the deceased owned an insurance policy jointly with someone else, you should include the deceased's share of the policy as a joint asset in box 9.2. If the policy is known as a 'joint life and survivor' policy, you should still include the deceased's share of the policy. The insurance company should be able to give you an estimate for the value of the whole policy at the date of death, so you can work out the value of the deceased's share.

Valuing joint bank accounts

Valuing the deceased's share of a bank account is quite easy but sometimes an account may be held in joint names just for convenience. For example, if an elderly person can no longer get out, they may add a son's or daughter's name to their bank account so the son or daughter can operate the account for them.

If an account is in joint names for convenience and the deceased provided all the money in the account, you should treat the account as if it was in the deceased's sole name. Include the full balance of the account in box 9.2 (for joint tenants) or 11.1 (if the account was held as tenants in common). But the opposite also applies, and if the deceased did not provide any of the money in the account and their name was on it for convenience only, then, so long as the provider did not intend to make a gift, there is no need to include anything about the joint account on form IHT205(2011).

Estimating values and small estates

What to do if you cannot get an accurate value

If you do not know the exact amount or value of any small item, such as an Income Tax refund or household bill, do not put off applying for the grant just because you do not know the exact figures. You may use an estimated figure.

You should not guess at a value, but try to work out an estimate based on the information available to you. If you do include an estimate, use box 13 to tell us which values are estimates.

Accurate values are not needed when the estate is very small

If the gross value of the estate is likely to be below £250,000, or the estate is exempt because it is passing to a spouse or civil partner or to a qualifying charity, you can estimate the value of the assets. You should not guess at a value, but try to work out an estimate based on the information available to you. There is no need to use box 13 to show the figures are estimates in such estates.

Filling in form IHT205(2011)

Page 1

About the person who has died

Fill in boxes 1.1 to 1.7 of form IHT205(2011) giving the name, date of death and other information that we ask for about the deceased.

Box 1.5

For marital or civil partnership status, please select the appropriate status.

Box 1.6

Say what the deceased's occupation was and whether or not they were retired. For example, 'Builder', 'Retired teacher'.

Box 1.7

You should be able to find the deceased's National Insurance number on letters from us or the Department of Work and Pensions or on a P60. If the deceased was in receipt of benefits paid directly into their bank account, their National Insurance number will appear in the bank statement.

About the estate

Question 2
Gifts and transfers

If the deceased had made any gifts (or other transfers of assets) during their lifetime, you will need to take these into account to find out whether the estate qualifies as an excepted estate. You must start with all gifts and transfers that the deceased made, even those made to their spouse or civil partner or to a qualifying charity.

What makes a gift

For the purposes of this booklet, gifts are transfers of money or other assets made by the deceased during their lifetime. Gifts do not include bequests and legacies made in the deceased's will. So, if, while they were still alive, the deceased gave their son £8,000 to buy a car, that would be a gift. If the deceased's will says "I give £5,000 to my son" that would be a legacy under the will, not a gift.

A gift or transfer will be relevant for Inheritance Tax if, having made the gift or transfer, the value of the deceased's estate has gone down. So this will include straightforward cash gifts or a gift of

a particular asset. Other transactions such as the sale of a house for less than its full market value, or a gift of shares that results in the deceased losing control of a company will also be relevant. If you are not sure what the effect of a transaction is for Inheritance Tax purposes, please phone our helpline and ask their advice.

Question 2 - first part

You can answer 'No' to this question if the only gifts the deceased made did not exceed £3,000 each year. You can ignore gifts in consideration of marriage or civil partnership within the limits shown on page 12.

Allowable exemptions

If the deceased did make gifts (or other transfers) that exceeded £3,000 in any one year, you can take away certain allowable exemptions from the gifts. The only exemptions that you can take away to find out whether the estate qualifies as an excepted estate are:

- small gift exemption
- annual exemption
- exemption on gifts made in consideration of marriage or civil partnership
- exemption for gifts made as normal expenditure out of income - provided the total value of gifts out of income is under £3,000 for each tax year - read page 11 of the notes for more information

You can still answer 'No' to this question if the only gifts the deceased made:

- were all made to individuals more than 7 years before the death
- were fully covered by the exemptions

Question 2 - second part

We explain what a trust is for Inheritance Tax in the notes for question 4 on page 13. If you answer the second part of question 2 'Yes', the deceased is treated as if they had made a transfer or gift of the trust assets in which their right to benefit ceased. This means that the trust assets must conform to the rules that apply to gifts and should be added to any other gifts or transfers that the deceased had made themselves.

Specified transfers

If you answer 'Yes' to either part of question 2 the gifts and transfers must qualify as 'specified transfers'. To qualify as 'specified transfers' the assets given away can only be:

- cash
- listed stocks and shares
- household and personal goods
- houses, land and buildings

and

the total value of the gifts at the time the gifts were made, after taking away any exemptions that are allowable, must be less than or equal to £150,000.

You should include the value of all the gifts and transfers in box 9.1. If the transfer arose because the deceased gave up their right to benefit from a trust, write the name of the person who set up the trust and the date it was set up in box 13.

Gifts of houses, land or buildings

Gifts of houses, land or buildings only qualify as 'specified transfers' if they were outright gifts from one individual to another. If gifts of houses, land or buildings were to a trust, or the deceased kept back any kind of benefit from the property or was entitled to use the property, stop filling in form IHT205(2011) now - you will need to fill in form IHT400.

If the assets given away were not of the type listed above, stop filling in form IHT205(2011) now - you will need to fill in form IHT400 instead.

Or, if the value of all the gifts and transfers in box 9.1, after deducting the allowable exemptions, is more than £150,000, stop filling in form IHT205(2011) now - you will need to fill in form IHT400 instead.

However, if the value is more than £150,000 only because the deceased made gifts that would be exempt under one of the 'other exemptions' listed on page 12, you can continue to fill in form IHT205(2011) and write a value greater than £150,000 in box 9.1. There are examples on page 11 that explain this rule.

Allowable exemptions that can be deducted

You can take away certain exemptions from any gifts or lifetime transfers made by the deceased. If all the gifts or lifetime transfers meet the conditions for the exemptions and the total of all gifts is less than the cash limits given, you can still answer 'No' to both parts of question 2.

Small gift exemption

Gifts to any one person which do not exceed £250 in any one tax year to 5 April are exempt. This exemption covers gifts at birthdays and other festive occasions. You cannot use small gift exemption in conjunction with any other exemption. This exemption can only be used if all the gifts made to the same person in one tax year do not exceed £250 in total.

Annual exemption

Gifts not exceeding £3,000 in any one tax year to 5 April are exempt. This can apply to one gift or the total of a number of gifts to which the small gift exemption does not apply. If the gifts made in one year fall short of £3,000, any surplus can be carried forward to the next year (but no further) and can be used once the exemption for that year has been used up in full. But the exemption cannot be carried back to earlier years.

Gifts made out of income

Gifts that are made as part of the deceased's normal expenditure are exempt from Inheritance Tax, provided you can show that they:

- formed part of the deceased's normal expenditure
- were made out of income
- left the deceased with sufficient income to maintain their normal standard of living

'Normal expenditure' means that the payments were a regular part of the deceased's expenditure. An example would be where the deceased was making a monthly or other regular payment to someone else. A one-off payment, even if it was out of income, will not be exempt.

If the deceased made any gifts out of income, they meet these conditions and do not exceed £3,000 in total each year, you can answer 'No' to both parts of question 2.

If the gifts made out of income are more than £3,000 per year, you should answer 'Yes' to the first part of question 2 and give details of the gifts in box 9.1 of form IHT205(2011).

Where the deceased made gifts out of income that exceed £3,000 per year, you must not deduct the exemption for the years concerned. The full value of the gift must be added to all the other gifts in box 9.1 to arrive at the total value for gifts.

If this means that:

- the total for gifts exceeds £150,000
- the gross estate is more than the excepted estate limit (or twice the excepted estate limit where you are claiming a transfer of unused nil rate band) and no assets pass to the deceased's spouse or civil partner or to a qualifying charity

do not fill in any more of form IHT205(2011) - you will need to fill in form IHT400 instead.

Example 1

The deceased made gifts out of income to their grandchildren totalling £5,000 for each of the 3 tax years before they died. They also made annual gifts to their children totalling £3,000 for each of those years. They died on 3 May 2011 leaving an estate of £320,000 to their unmarried partner.

Total gifts	£24,000	
minus annual exemptions	£9,000	(£3,000 for each tax year)
Chargeable value	£15,000	

As the gifts out of income exceed £3,000 each year the full value of the gifts must be entered at box 9.1.
For the purposes of determining if the estate is an excepted estate, no exemptions for gifts out of income can be deducted from the value of the gifts.

The gross value for Inheritance Tax (box H) is £335,000, (£15,000 gifts plus £320,000 estate) which is above the excepted estates limit of £325,000, so this estate cannot qualify as an excepted estate and an IHT400 will need to be completed instead of an IHT205(2011).

Example 2

Alice, a widow, died on 9 April 2011. She made gifts out of income to her nephews totalling £10,000 for each of the 6 tax years before she died and then left an estate of £500,000 to her sister.

As her husband had died before her, leaving all his estate to Alice, and all of his Inheritance Tax nil rate band unused, Alice's estate claimed a transfer of unused nil rate band to double up the nil rate band available to Alice's estate (read page 5 of these notes).

Gifts out of income	£60,000
Estate	£500,000
Gross value for Inheritance Tax	£560,000

The chargeable value of the gifts out of income is under the £150,000 limit for gifts. When the gifts are added to the estate of £500,000 the gross value for Inheritance Tax does not exceed the excepted estate limit.

The excepted estate limit is £650,000 in this case as they can double up the limit of £325,000 because they are claiming a transfer of unused nil rate band from the estate of Alice's husband who died before her.

Gifts on marriage or civil partnership

If the gift was made:

- on or shortly before the marriage or civil partnership ceremony
- to one or both parties to the marriage or civil partnership
- to become fully effective on the marriage or civil partnership taking place

it will be exempt up to the following limits:

- £5,000 if the deceased was a parent or step-parent of one of the parties to the marriage or civil partnership
- £2,500 if the deceased was a grandparent or more remote relative of one of the parties to the marriage or civil partnership
- £1,000 in any other case

Other exemptions that cannot be deducted when calculating the gross estate

There are other exemptions that are available, but you should not deduct these, at this stage, to establish whether the overall limit for the gross estate of £1million is exceeded. These are exemptions for transfers to:

- the deceased's spouse or civil partner
- qualifying charities

and to political parties, housing associations, maintenance funds for historic buildings, and employee trusts

Example 1

The deceased made lifetime gifts totalling £100,000 to his children and £100,000 to his wife in the year before he died, and died leaving an estate of £500,000. The chargeable value of the gifts is:

Total gifts	£200,000
minus	
Annual exemption	£6,000 (previous year's unused)
Spouse or civil partner exemption	£100,000
Chargeable value	£94,000

The chargeable value is under the £150,000 limit for gifts, so the estate can qualify as an excepted estate. However, when filling in form IHT205(2011), you should ignore the spouse or civil partner exemption and write the value of £194,000 in box 9.1. When this is added to the estate on death of £500,000, the gross value does not exceed £1million - so the estate can still qualify as an excepted estate.

Example 2

The deceased made gifts of £50,000 to their children, £50,000 to a qualifying charity and died leaving an estate of £950,000. Here, the chargeable value of the gifts is £44,000, but you must not deduct the charity exemption and should write £94,000 in box 9.1. When this is added to the estate on death of £950,000, the gross value exceeds £1million. The estate does not qualify as an excepted estate, even though the chargeable value for gifts is less than £150,000.

Example 3

The deceased made lifetime gifts of £170,000 to their children, £50,000 to a qualifying charity and died leaving an estate of £600,000. Here, the chargeable value of the gifts is £164,000.

As this exceeds the £150,000 limit for gifts, the estate cannot qualify as an excepted estate even though, when adding back charity exemption to give a total of £214,000 and adding this to the estate on death of £600,000, the gross value does not exceed £1million.

Gifts made more than 7 years before the death

In most cases, you can ignore gifts and transfers that were made more than 7 years before the death. But you should not ignore gifts or transfers where:

- the deceased kept back some benefit or interest in the assets given away or was entitled to use the assets given away (then you should answer the first 2 parts of the question 'Yes') (go to the note for question 3 on page 13)
- the deceased had made a gift or transfer within 7 years of death, and within 7 years of that gift the deceased had transferred assets to a discretionary trust or to a company

In the second situation, you do not need to tell us about the gift or transfer made by the deceased more than 7 years ago. But the person who received the gift or transfer made within 7 years of the death may have a separate liability to Inheritance Tax. If you are aware that these circumstances apply we recommend that the person who received the gift or transfer should phone our helpline to discuss their circumstances.

Question 3
Gifts with reservation of benefit

If the deceased has made a gift where they:

- have kept back a benefit of any kind in the assets given away
- are entitled to continue to use the assets given away or the person receiving the assets has not taken full and exclusive ownership of them

the gift is known as a 'gift with reservation of benefit'. A very simple and common example is when someone gives their house to someone else, often their child, but carries on living in the house.

If the asset given away was a house, and either the deceased or their spouse or civil partner continued to benefit from, or have use of, the property through a lease or trust or similar right or arrangement, the gift may be treated as a gift with reservation.

If anything like this applies to the deceased, and you are not sure whether the arrangements should be treated as a gift with reservation, you should phone our helpline. Depending on the complexity of the arrangements, we may not be able to give a definitive answer over the phone. In these circumstances we recommend that you answer 'Yes' to the first part of question 3.

In relation to the third part of question 3, an Income Tax charge, on pre-owned assets, was introduced in the 2005 to 2006 tax year. This charge generally applies to assets that a person disposed of but continued to get benefit or enjoyment from. It can also apply when a person contributed to the purchase of an asset for another person that they subsequently obtained benefit or enjoyment from. The legislation gives the customer the option to elect to have the assets in question treated as part of their estate for Inheritance Tax purposes, under the reservation of benefit rules. So long as the election remained in place, the customer would not have to pay the Income Tax.

You should answer 'Yes' if the deceased received benefit from a pre-owned asset and elected to pay the Inheritance Tax charge, under the reservation of benefit rules, rather than pay the pre-owned assets Income Tax charge. To make this election, the deceased must have submitted a form IHT500. It is not possible for an election to be made on the deceased's behalf, after death.

You should answer 'No' if the deceased received benefit from a pre-owned asset and paid the pre-owned assets Income Tax charge or if the deceased did not dispose of or contribute to the purchase of any assets in this way.

If you answer 'Yes' to any part of question 3, stop filling in form IHT205(2011) now - you will need to fill in form IHT400 instead.

Question 4
Assets held in trust

A trust is an obligation binding a person who legally owns the assets (the 'trustee') to deal with the assets for the benefit of someone else. A trust might be in the form of a trust deed or set up by a will.

Interests in possession

We call assets that are held in trust 'settled property'. We say that the deceased had an 'interest in possession' in settled property where they had a right to:

- the income from assets (for example, dividends from shares, interest from a bank account or rent from a let property)
- payments of a fixed amount each year, often in regular instalments
- live in a house or use the contents without paying any rent

When someone has a right to live in a house this can have the same effect as a trust for Inheritance Tax, even if the right to live in the house is not formally expressed as a trust for that person's benefit. Often, this type of right arises under another person's will and can apply whether or not the house is owned jointly.

If the deceased did not own their home and was not a tenant either, they may have been living there under this sort of arrangement.
If so, you may need to include the value of the deceased's home on form IHT205(2011).
For more information go to www.gov.uk/inheritance-tax or phone the helpline on 0300 123 1072.

In some circumstances, where a person has an interest in possession in, or is treated as having an interest in possession in, settled property they are treated for Inheritance Tax as if they owned those assets personally. You should answer 'Yes' to question 4 if the deceased's interest in possession began:

- before 22 March 2006
- on or after 22 March 2006 and was
  - an immediate post-death interest
  - a disabled person's interest
  - a transitional serial interest

Immediate post-death interest

An immediate post-death interest is where the deceased was entitled to benefit from assets held in a trust that meets the following conditions.

- the trust was set up under a will or intestacy
- the deceased became entitled to the interest in possession on the death of the person whose assets passed into the trust
- the trust was never for a bereaved minor or a disabled person

Disabled person's interest

A disabled person's interest is where:

- a trust was set up after 29 March 1981 and, during their life
  - a disabled person benefited from not less than half the assets applied and
  - nobody had a right to benefit from the trust
- a trust for the benefit of a disabled person (under which they have a right to benefit) is set up on or after 22 March 2006
- an individual who has a condition likely to lead to them becoming a disabled person sets up a trust, for their own benefit, on or after 22 March 2006

For these purposes the definition of a disabled person is a person who:

- is incapable, by reason of mental disorder (within the meaning of the Mental Health Act 1983), of administering their property or managing their affairs
- is in receipt of Attendance Allowance (under Section 64 of either the Social Security Contributions and Benefits Act 1992 or the Social Security Contributions and Benefits (Northern Ireland) Act 1992) or would be if they were not undergoing certain treatments or met the residence qualifications
- is in receipt of Disability Living Allowance, at the highest or middle rate (under Section 71 of either the Social Security Contributions and Benefits Act 1992 or the Social Security Contributions and Benefits (Northern Ireland) Act 1992) or would be if they were not provided with certain living accommodation or if they met the residence qualifications

The following new rules apply to trusts arising on or after 8 April 2013.

All (previously more than half) the assets including income must now be applied for the benefit of the disabled person except for an annual limit of up to £3,000 (or 3% of the assets if lower) which may be applied for the benefit of others.

A disabled person now includes a person who receives:

- a Personal Independence Allowance or would do so if it were not for exclusions for nursing home residents, those receiving in-patient care and for prisoners
- an increased Disablement Pension or would do so if it were not for the exclusions stated above in relation to Attendance Allowance
- constant Attendance Allowance or would do so but for maintenance in a hospital
- an Armed Forces Independence Payment or would do so but for admission to the Royal Hospital, Chelsea

For gifts made to trusts in existence before 8 April 2013 (or arising after that under a will in existence before that date) the trusts are not prevented from qualifying as a disabled person's interest by the new rules so long as those trusts or wills are not altered on or after 8 April 2013.

For more information on trusts for a disabled person, go to the Inheritance Tax Manual at IHTM 42805. Go to www.gov.uk and search for HMRC manuals

Transitional serial interest

There are 2 main types of transitional serial interest. The first is where:

- the deceased has an interest in possession in settled property (a trust)
- the assets comprising the current trust were previously subject to another interest in possession trust that was set up before 22 March 2006
- the deceased's interest arose between 22 March 2006 and 5 April 2008, inclusive

The second type arises where the deceased had an interest in possession which arose on the death, on or after 22 March 2006, of the holder of a previous interest in possession and the new holder is the spouse or civil partner of the previous holder.

If the deceased had the right to benefit from more than one trust, or the value of the assets in a single trust was more than £150,000, stop filling in form IHT205(2011) now - you will need to fill in form IHT400 instead.

Foreign trusts

In deciding how to answer question 4, it does not matter whether the trustees are resident in the UK or abroad. You must take into account all the trusts treated as part of the deceased's estate, in which the deceased had a right to benefit.

Trust assets passing to the deceased's spouse or civil partner or a qualifying charity

Trust assets which qualify for spouse or civil partner or charity exemption should be excluded when applying the £150,000 limit.

You should show the exemption you are deducting for the trusts' assets in box 14.

Question 5
Foreign assets

Inheritance Tax is charged on the worldwide assets of someone who is domiciled (has their permanent home) in the UK so it includes any overseas assets that they owned. You should include the sterling value of any overseas assets in box 9.5.

The Isle of Man and the Channel Islands are not part of the UK.

If the answer to question 5 is 'Yes', and the gross value of the overseas assets is more than £100,000, stop filling in form IHT205(2011) now - you will need to fill in form IHT400 instead.

The £100,000 limit applies to the estate as a whole, so to be sure that the limit of £100,000 is not exceeded, you will need to add together:

- any foreign assets that the deceased owned in their own name
- their share of any jointly owned foreign assets
- any foreign assets held in a trust

Where the deceased owned foreign assets, you may also need to take out a separate grant in the country where the assets are, so that you can deal with them.

Question 6
Insurance premiums

If the deceased was paying insurance premiums on a policy that will pay out to someone else, you may need to take the premiums paid into account as gifts. You can answer 'No' to this question if the policy was for the benefit of the deceased's spouse or civil partner.

Where the deceased was paying premiums on an insurance policy for the benefit of someone else, you can answer 'No' to question 6 if:

- the insurance policy is **not** held in trust
- the premiums paid each year are covered by the exemption for regular gifts out of income (limited to £3,000 for each tax year)
- they did not buy an annuity at any time

If the insurance policy is not held in trust and the premiums are not covered by the exemption, then each premium is a gift of cash. You can answer 'No' to question 6 but you must take the premiums into account in answer to question 2.

You can also answer 'No' to question 6 if:

- the insurance policy is held in trust (this will be the most common case)
- it was put into trust more than 7 years ago
- the premiums paid each year are covered by the exemption for regular gifts out of income
- they did not buy an annuity at any time

If the insurance policy **is** held in trust, and it was put into trust more than 7 years ago, but the premiums are **not** covered by the exemption, then each premium is a gift of cash. You may answer 'No' to question 6 but you must take the premiums into account in answer to question 2.

In any other case, for example, where the policy was put into trust within 7 years of the death, or if the deceased both paid premiums on a life insurance policy that was not for their own benefit or paid out to the estate and they bought an annuity at any time, you must answer 'Yes' to question 6 and stop filling in form IHT205(2011) now - you will need to fill in form IHT400 instead.

Question 7

If the deceased only had a State Pension, answer 'No' to question 7 and ignore question 8.

Pensions

Where someone has the benefit of a pension in addition to the State Pension, this additional pension will normally provide 2 types of benefit. These are:

- retirement benefits
- death benefits

It is not possible to take both benefits. If the person reaches retirement age and takes their retirement benefits (a lump sum plus pension) the death benefit no longer applies. However, if they die before taking their retirement benefits, the death benefit is payable according to the pension scheme rules or the policy provisions. No retirement pension is paid.

Approved, unapproved and registered schemes

For Income Tax purposes, pension schemes and pension policies are approved, unapproved or registered. You need to find out which applied to the deceased's scheme or policy. The scheme papers may provide this information. If they do not, the pension scheme provider should be able to tell you. We cannot tell you what type of scheme it is.

Question 8

Question 8 asks about the deceased's pension arrangements as there are some circumstances where an Inheritance Tax charge can arise on pensions.

You can answer 'No' to question 8 and move on to question 9 if the deceased was drawing their retirement pension in full and had not made any arrangements to change their pension in the 2 years before they died, other than pensions paid to a spouse or civil partner.

Changing pension benefits

If the deceased was entitled to a pension (either from a pension scheme or a personal pension policy) and they had not taken their full retirement benefits by the time they died, you may need to take into account any changes they made to their pension benefits. You can ignore the State Pension in answering this question.

If the deceased was entitled to benefit from a pension scheme or pension policy and they had not taken their full retirement benefits before they died, you will need to read the following notes to decide how to answer question 8.

Transfer of pension entitlement

If the deceased had not taken their full retirement benefit from a pension scheme or personal pension policy, any changes to the benefits they were entitled to may have given rise to a transfer of assets. Such a transfer is not a 'specified transfer' so the estate cannot qualify as an excepted estate.

These notes only apply where any dealings with the pension benefits took place at a time when the deceased had been diagnosed with a terminal illness, or was in such poor health as to be uninsurable.

Where any dealings took place at a time when the deceased was in normal health for their age, then even if they have died shortly afterwards, you can answer 'No' to question 8.

Disposing of pension benefits

A person disposes of the benefits payable under a pension scheme or pension policy where, for example, they put the death benefits into trust, or allocate some of their pension to someone else. If this disposal took place when the deceased had been diagnosed with a terminal illness, or was in such poor health as to be uninsurable, you should answer 'Yes' to question 8.

A person can change the benefits to which they were entitled under a pension scheme or pension policy by:

- making additional contributions to the pension scheme or policy
- transferring their benefits from one pension scheme to another
- failing to take their pension on reaching pension age
- failing to request ill-health retirement where the deceased met the requirements for that form of retirement
- opting for income drawdown or making any changes to an income drawdown that has already been arranged
- opting for phased retirement or making changes to the number of segments taken where phased retirement has already been opted for

'Income drawdown' is a particular situation where the deceased has reached pension age but has chosen not to use their retirement benefits to buy an annuity. Instead, they decide to 'draw' a certain level of income from the pension funds with a view to buying an annuity at a later date.

'Phased retirement' is where the deceased has divided their pension entitlement into a series of segments and has agreed a plan with their pension provider to take so many segments each year on retirement.

If any such changes took place when the deceased had been diagnosed with a terminal illness, or was in such poor health as to be uninsurable, you should answer 'Yes' to question 8.

If the answer to question 8 is 'Yes', stop filling in form IHT205(2011) now - you will need to fill in form IHT400 instead.

Guaranteed pension payments

If the deceased was receiving a pension from a pension scheme or pension policy, the payments may have been guaranteed for a certain period of time. If the guarantee period ends after the death, the payments will continue to be made to the estate, and the right to receive those payments is an asset of the estate. If this applies to the deceased's estate, include the value of the right to receive the payments in box 11.11.

If you have access to the internet, you can download some software called 'Annuity Calculator' from our website that will work out the value of this right. Otherwise, add up all the payments that still have to be made and take off 25% to give an estimated figure.

You should ignore the (usually reduced/lower) pension that continues to be paid directly to the deceased's surviving spouse or civil partner.

Lump sum payments

If the deceased dies before retirement or before taking their retirement benefits, a lump sum may be payable under the pension scheme or pension policy. A lump sum will be part of the deceased's estate if:

- it is payable to their personal representatives as of right or because no-one else qualifies for payment
- the deceased could direct who the lump sum was to be paid to by making a binding nomination/ instruction
- the deceased could manufacture a situation (for example, by revoking a nomination) so that the lump sum would be payable to the estate
- it is a refund of contributions

In each of these cases, the amount of the lump sum should be included in box 11.11.

A lump sum will not be part of the deceased's estate if the pension trustees are free to decide who it is payable to (even if they do decide to pay the lump sum to the personal representatives). Similarly, any 'ex gratia' payments (where the payer is not legally obliged to make the payment) paid to the estate are not part of the Inheritance Tax estate, as the deceased had no 'right' to them.

You must take care to determine exactly how the lump sum is payable. If the deceased has completed a 'letter of wishes', the trustees may well pay the lump sum in accordance with the letter. But even if that means the lump sum is paid to the estate, it is not part of the deceased's estate for Inheritance Tax because the 'letter of wishes' did not bind the trustees. Only if the lump sum was payable under a binding nomination should the lump sum be part of the estate, irrespective of who it is paid to.

If you decide that a lump sum is not part of the estate, give the name of the pension scheme and say why you do not think it is part of the estate, in box 13.

If you decide that the lump sum is part of the estate, include its value in box 11.11.

Deceased's assets at the date of death

When you write the value of assets or debts on the form, do not include pence. You should round assets down and debts up to the nearest pound. If you leave a box blank we shall assume you mean that the deceased did not own any assets of the type described.

You must include all the assets that were part of the deceased's estate as at the date of death.

Deeds of variation

We say this because if 2 people, say husband and wife, die within a short period of time, it is possible for the beneficiaries of the second to die to alter the devolution of the estate of the first to die by executing a deed of variation within 2 years of that death. The effect is that they can redirect assets from the first estate away from the second estate.

But redirecting assets in these circumstances only has effect for Inheritance Tax purposes. It does not alter the value of the second estate for probate purposes. It is the value of the second estate as at the date of death that determines whether you can fill in form IHT205(2011), or whether you must fill in form IHT400. If the gross value of the second estate, as at the date of death, exceeds the excepted estate limit, you must fill in form IHT400.

Section 9
Assets added to the estate for Inheritance Tax for which a grant of representation is not required

These are the assets which the deceased owned or benefited from when they died but which are not included in the value of the estate for the grant of probate or letters of administration.

The assets that the deceased owned outright and the deceased's share of any jointly owned assets owned as tenants in common (go to page 7 of these notes), which will be included in the value of the estate for the grant of probate or letters of administration, should be shown in section 11 on pages 4 and 5 of IHT205(2011).

Assets which are not included in the value of the estate for the grant of probate or letters of administration (and for which a grant is not required), have to be added to the estate for Inheritance Tax purposes in section 9. You should include these assets in boxes 9.1 to 9.5. If there are any debts to deduct against these assets, you should include these debts in boxes 10.1 to 10.4. If the debts are more than the value of the corresponding assets, tell us what the total assets and debts were in box 13 and write nil in the relevant numbered boxes.

Box 9.1 Gifts

If your answer to question 2 was 'Yes', you should write the total value of the gifts or other lifetime transfers made by the deceased, after taking off any:

- small gift exemption
- annual exemption
- exemption for gifts made on marriage or civil partnership you have deducted in this box
- exemption for gifts made out of income – for deaths on or after 1 March 2011 you can only deduct this exemption if the gifts total is less than £3,000 for each tax year

Any other exemptions (for example, spouse or civil partner exemption or charity exemption) you are deducting from the gifts should be listed in box 14, on page 7, not at box 9.1

More information on exemptions can be found on our website. Go to www.gov.uk/inheritance-tax

In the space provided at box 9.1, tell us:

- the date of the gift
- the name of the person who received the gift
- what was given away
- its value

and set out how you have deducted the exemptions. Use box 13 if you need more room to give details of gifts.

Box 9.2
Share of joint assets passing by survivorship

If the deceased owned any jointly owned assets passing automatically to the surviving joint owner by survivorship (joint tenancy) you should describe each joint asset and write the value of the whole of it in the space provided at box 9.2. If the joint property is a house, give the address.

Use box 13 if you need more room to give details of joint assets. You should write the total value of the deceased's share of these joint assets in box 9.2.

Go to page 6 of these notes for more information about jointly owned assets.

If the joint assets were owned by the deceased and their spouse or civil partner you must still include them at the appropriate box. You should take off any spouse or civil partner exemption at box 14.

Box 9.3
Assets held in trust

If your answer to question 4 was 'Yes', you should write the gross value of the trust assets in this box. If the trustees only give you one figure that is after deduction of any debts, include that here instead. You should write the name of the person who set up the trust and the date it was set up in the space provided at box 9.3.

Box 9.4
Nominated assets

If the deceased, during their lifetime, 'nominated' an asset to pass to a particular person after their death, enter the value of that asset in box 9.4.

The only assets that can be nominated in this way are deposits in friendly societies and industrial and provident societies or, before 1 March 1981, National Savings certificates and accounts.

Legacies in the will are not nominated assets.

Do not include nominated pension benefits here. These are covered on page 17 of these notes under 'Lump sum payments'.

Box 9.5
Assets outside the UK

You should include in this box the value of assets outside the UK, plus the deceased's share of any foreign assets that were owned jointly with someone else. You need to convert the value in the foreign currency to £ sterling. You can find conversion rates for the most common currencies in the daily newspapers and on the internet. Please make sure you use the conversion rate for the date of death.

Remember that the Channel Islands and the Isle of Man are outside the UK for Inheritance Tax purposes.

Box A

Add up the figures in boxes 9.1 to 9.5 and write the answer in box A - 'Gross value of assets for which a grant is not required'.

Section 10

Debts payable out of assets totalled in box A

Deaths on or after 1 April 2014

If the gross value of the estate is less than £1million and there is no tax to pay because part of the estate passes to the deceased's spouse or civil partner, you can only include debts that you expect to repay from the estate.

Do not include debts that you know are not going to be repaid from the estate. Nor should you include any debts where the borrowed money has been used to acquire excluded property (usually an interest in a trust where the trustees are abroad), or property that has become excluded property.

These restrictions only apply where the deceased died on or after 1 April 2014.

Box 10.1
Share of mortgage on jointly owned property

You should include in this box the deceased's share of any outstanding mortgage secured on jointly owned property that is shown in box 9.2. If there was a joint mortgage protection policy, you should include the share of the mortgage in this box and the share of the money that the policy paid out in box 9.2.

Box 10.2
Share of other debts payable out of joint assets

You should include in this box the deceased's share of any other debts actually owed when they died that are payable out of jointly owned assets shown in box 9.2.

Box 10.3
Debts payable out of trust assets

You should include in this box any debts that are payable out of trust assets. If the trustees only give you one figure for the trust assets that is after deduction of any debts, include that figure in box 9.3 and leave this box blank. If there are no assets in box 9.3 there will be no debts in box 10.3.

Box 10.4
Debts owing to persons outside the UK

You should include in this box any debts which the deceased actually owed when they died and which were owed to someone who lived abroad.

Box B

Add up the figures in boxes 10.1 to 10.4 and write the answer in box B 'Total debts payable out of assets in boxes 9.1 to 9.5'.

Box C

Take away the value in box B from box A (A minus B) and write the answer in box C 'Net value of assets for which a grant is not required'.

Section 11

Deceased's own assets for which a grant of representation is required

These are the assets which are included in the value of the estate for the grant of probate or letters of administration, even if you do not need to produce a copy of the grant to get access to these assets.

You must include the gross value for both the deceased's own assets and their share of any assets held as tenants in common (not passing automatically to the surviving joint owner) in section 11. If you are including a share of an asset, such as a house, please list each item held as tenants in common in box 13. In box 13 you should give the value of the whole asset and state the deceased's share, for example, 'half'.

You should then include the value of the deceased's share of an asset held as tenants in common in the relevant box in section 11.

'Gross value' means the value of the assets before deduction of any debt, relief or exemption.
If you need to include an estimated value, read the paragraph 'Estimating values and small estates' on page 9 of these notes.

Joint assets which pass automatically to the surviving joint owner should not be included here. Instead you should include them in box 9.2.

Read pages 6 and 7 of these notes for more information about jointly owned assets.

When you write the value of assets or debts on the form, do not include pence. You should round assets down and debts up to the nearest pound.
If you leave a box blank we shall assume you mean that the deceased did not own any assets of the type described.

Box 11.1
Cash, money in banks, building societies and National Savings

You should include in this box the total figure for all the money in bank and building society accounts, National Savings investments and cash when the person died. This will include:
- cash held by the deceased, kept at home or elsewhere, such as a safety deposit box
- money in current, deposit, high interest, fixed interest, term, bond and money market accounts
- accounts with supermarkets or insurance companies
- National Savings Bank accounts
- Premium Bonds
- cash in an ISA
- travellers' cheques

The figure should include interest that was owed up to the date of death but was not actually paid into the account. You can get these figures from the bank or other organisation holding the account.

National Savings investments include:
- National Savings Certificates
- National Savings Capital or Deposit Bonds
- National Savings Income Bonds
- Pensioners Guaranteed Income Bonds
- Children's Bonus Bonds
- First Option Bonds
- Save As You Earn contracts
- Year Plans
- Premium Bonds, including unclaimed prizes

You can get help with finding out the value of all National Savings investments:
- online, go to www.nsandi.com/what-do-i-do-when-someone-dies
- by phoning the National Savings Enquiry Line on 0500 007 007

Box 11.2
Household and personal goods

The term 'household and personal goods' means things such as furniture, pictures, paintings, china, TV, audio and video equipment, cameras, jewellery, cars, caravans, boats, antiques, stamp collections and so on. You do not have to get a professional valuation for ordinary household and personal goods where you can use publically available data to estimate the value, for example, to value second hand cars. If you do estimate the value, you need to use the open market value at the date of death, not an insurance or replacement value. The open market value is the realistic selling price for the item. This is the price the item would have been likely to fetch if sold at auction or otherwise advertised publically. If you think any item may be worth more than £1,500, or you are not sure, we advise you to get a professional valuation.

The value could be low, or even nil, provided that it is honest.

Box 11.3
Stocks and shares quoted on the Stock Exchange

You should include in this box:
- UK government securities such as treasury stock, exchequer stock, convertible stock and consolidated stock
- all stocks, shares, debentures and other securities listed on the Stock Exchange Official List
- unit trusts
- investment trusts
- open-ended investment companies
- shares in an ISA

You should also include any dividends that were due, but had not been paid before the death.

If the deceased was an underwriter at Lloyds, you should include their business portfolio of shares in box 11.7 and not in box 11.3.

You do not have to get a professional valuation for listed stocks and shares. You can value shares quoted on the London Stock Exchange by finding the price of the shares in the financial pages of a newspaper or online.

First of all, make a list of all the shares, including the name, nominal value and type of shares – for example, 'A N Other Plc 10p ordinary shares'. Then, if you are using a newspaper, find the shareholding and write down the price given for each shareholding. To find out the value of the shares, multiply the number of shares by the price given.

So if the deceased held 1,250 shares and the price was 1,093.5p, the value for the holding is:

1,250 x 1,093.5p = £13,668.75.

Sometimes, for unit trusts, the newspaper may show 2 prices. Take the lower one.

You should take the value of the shares on the day the person died - remember that a newspaper printed on the day the deceased died will have share prices for the day before.

If the deceased died on a day when the Stock Exchange was closed, take the price for either the next or last day when the Stock Exchange was open, whichever is the lower. For example, if the person died on a Sunday you can take the price for either the Monday after or the Friday before.

Keep your list with the deceased's papers and other records.

Box 11.4
Stocks and shares not quoted on the Stock Exchange

You should include in this box:
- shares in a private family company which are not listed on the Stock Exchange
- shares listed on the Alternative Investment Market (AIM), which may be part of an ISA
- shares traded on OFEX (an unregulated trading facility for dealing in unquoted shares)

You will be able to value shares on AIM or OFEX in the same way as quoted stocks and shares.

Private company shares

For private company shares, you should give an estimate of the open market value of the shares. You may need to contact the company's secretary or accountant to get this value.

You should not include just the nominal value of such shares (for example the nominal value for 1,000 £1 ordinary shares is £1,000) unless that genuinely reflects your estimate of the open market value of the shares.

Box 11.5
Insurance policies, including bonuses and mortgage protection policies

You should include in this box the total value for:
- life insurance policies paying out to the estate, including any bonuses that are paid
- money paid under a mortgage protection policy (if the policy was in joint names, include the amount payable in box 9.2 instead)
- insurance policies held in ISAs
- payments received under investment schemes which pay 101% of the unit value on death
- payments received under investment or reinvestment plans, bonds or contracts with a financial services provider which pay out on death
- insurance policies on the life of another person but under which the deceased was to benefit

Box 11.6
Money owed to the person who has died

You should include in this box:
- money which the deceased had lent to someone else and which had not been repaid at the date of death
- money which the deceased had lent to trustees linked to a life insurance policy held in trust
- money for which the deceased held a promissory note or 'IOU'
- money which the deceased had lent to someone and which is secured by a mortgage over property
- money owing to the deceased from a director's loan account or current account with a company

You should include the face value of the loan, after taking off any repayments that had been made. You should also include any interest due up to the date of death.

Box 11.7
Partnership and business interests

You should include in this box the net value of all the deceased's business interests. Ideally, accounts for the business should be prepared at death and it will be the total of the deceased's capital and current accounts that will be the starting point. Remember, though, that the value for capital assets in accounts is usually the 'book' value, and this is often different from the open market value that is required for Inheritance Tax.

If the deceased was an underwriter at Lloyds, you should include their business portfolio of shares here and not in box 11.3.

Where necessary, you should increase (or decrease) the value of the business interests that are shown in the accounts to reflect any adjustments that are necessary through replacing the 'book' value with the open market value.

Box 11.8
Freehold/leasehold residence

You should include the open market value of the deceased's share of a home owned or partly owned by the deceased unless it was held in joint names and passes automatically to the surviving joint owner. If the deceased had moved to a nursing or other residential care home shortly before they died and the property had been left vacant, you should still include it in this box. If the property had been let after the deceased moved out, you should include the value in box 11.9. and not 11.8. Write the address of the property, including the postcode, in the space provided.

If the property is a farmhouse read the note for box 11.10 on page 22.

If the deceased's home passes automatically to the surviving joint owner, do not include it here. Include the value at box 9.2 instead.

Valuing houses, land and buildings

Valuing houses, land and buildings can be complicated and you are strongly advised to use a professional valuer. You should ask for, and include, the 'open market value' not a 'probate value'.

You should ask the valuer to take account of the state of repair of the property (which may decrease its value) and any features that might make it attractive to a builder or developer, such as large gardens, or access to other land that is suitable for development (which may increase its value).

If you get several valuations which give a range of values for the property, it is probably best to adopt a value that is somewhere in-between the highest and lowest values that you have got.

If, having arrived at your figure and before you apply for a grant, you find out about other information that casts doubt on your figure, you must reconsider it. For example, you may have estimated that the property was worth £250,000. When you try to sell it you market it at £270,000 and receive some offers at that figure or more. This suggests that the open market value for the property may be closer to £270,000. In these circumstances we recommend that you ask the valuer to consider amending the valuation, taking into account such things as the length of time since the death and movements in the property market.

Box 11.9
Other freehold/leasehold residential property

You should include in this box the open market value of any other residential property that was owned by the deceased which was either let or could be let but was vacant when they died. We explain how you should value the property at box 11.8. Write the address, including the postcode, in the space provided. You should include any rent due to the date of death in box 11.11.

Box 11.10
Other land and buildings

You should include in this box any other land and buildings the deceased owned. This will include:

- farms (if the person who has died lived on a farm include the value of the whole farm here, do not include a separate value for the farmhouse in box 11.8)
- business property, for example, a hotel, shop, factory etc
- timber and woodlands
- other land and buildings such as lock-up garages, redundant or derelict land, quarries, airfields etc
- other rights that attach to land, such as fishing or shooting rights

We explain how you should value the property at box 11.8. We recommend that you get professional advice if the estate contains this sort of land as it can be very difficult to value. Write the address or location of the property in the space provided.

Box 11.11
Any other assets

You should include in this box any other assets owned by the deceased that you have not included in boxes 11.1 to 11.10. Examples are:

- money owed in salary or wages
- arrears of pension or unclaimed benefits
- rents due for the period to death
- income due from a trust for the period to death
- refunds from private health schemes
- Income Tax or Capital Gains Tax repayments
- money or assets that are due to the deceased from the estate of someone else who died before them
- refunds from gas or electricity, insurances or licences

Box D

Add up boxes 11.1 to 11.11 and write the answer in box D 'Gross value of assets for which a grant is required'. If the value in box D is nil stop filling in form IHT205(2011) now - you will need to fill in form IHT400 instead.

Section 12

Debts payable out of assets shown in boxes 11.1 to 11.11

Deaths on or after 1 April 2014

If the gross value of the estate is less than £1million and there is no tax to pay because part of the estate passes to the deceased's spouse or civil partner, you can only include debts that you expect to repay from the estate.

Do not include debts that you know are not going to be repaid from the estate. Nor should you include any debts where the borrowed money has been used to acquire excluded property (usually an interest in a trust where the trustees are abroad), or property that has become excluded property.

These restrictions only apply where the deceased died on or after 1 April 2014.

Box 12.1
Funeral expenses

You may deduct funeral expenses and reasonable mourning costs. You may also deduct the cost of a headstone or plaque marking the site of the deceased's grave.

These expenses may also include a reasonable amount to cover the cost of:
- flowers
- refreshments provided for mourners after the service
- necessary expenses incurred by the executor or administrator in arranging the funeral

Write the total of these costs in this box.

Allowable funeral costs do not include travelling or accommodation costs for the mourners. If the deceased had paid for a funeral plan that covered all the funeral costs then you should not include anything in this box.

Box 12.2
Mortgage or share of a mortgage on a property or land in boxes 11.8 to 11.10

You should include in this box any mortgage secured on property that you have included in section 11. If the deceased only owned a share of the property concerned, you should only include the same share of the mortgage.

For example, the deceased owned a half share of a house valued at £200,000. The property had a mortgage of £50,000 secured on it. The value of the deceased's share of the property in box 11.8 is £100,000 and the value of the deceased's share of the mortgage in box 12.2 is £25,000.

If the deceased had a mortgage protection policy, you should include the mortgage in this box and the money that the policy paid out in box 11.5.

Box 12.3
Other debts owed in the United Kingdom (UK)

You should only include in this box debts which the deceased actually owed when they died. For example, household bills, uncleared cheques for goods and services provided before the death and credit card debts. Do not include fees for professional services carried out after the death, such as solicitors' or estate agents' fees and valuation fees.

If the person who has died had written a cheque to make a gift before they died and the cheque had not cleared by the death, you must not treat the cheque as a deduction. You must include the value for the deceased's bank account without deducting the cheque. You should not show the intended gift as a gift in answer to question 2.

Box E

Add up boxes 12.1 to 12.3 and write the answer in box E 'Total debts payable out of assets in boxes 11.1 to 11.11'.

Box F

Take away the figure in box E from the figure in box D (D minus E) 'Net estate in the UK for the grant of representation'.

Box G

Add box C (on page 4) and box F and write the answer in box G 'Net estate for Inheritance Tax purposes'.

Box H

Add box A (on page 3) and box D and write the answer in box H 'Gross value for Inheritance Tax purposes'.

If the value in box H is:
- more than the excepted estate limit (£325,000 for tax years 2011 to 2015 or £650,000 where you are claiming a transfer of the unused nil rate band from the estate of a spouse or civil partner who died before)

and
- none of the assets pass to the deceased's spouse or civil partner or to a qualifying charity

stop filling in form IHT205(2011) now - you will need to fill in form IHT400 instead.

Read pages 5 and 6 of these notes for more information about transfers of unused nil rate band and assets passing to a spouse or civil partner or to a qualifying charity.

Page 6

Box 13 Additional information

Use this space to provide any information we ask for earlier in these notes, such as details of jointly owned assets, or if you need more space for any reason. If you want us to take anything into account, write it here. You may continue on a separate sheet of paper if you do not have enough room but make sure you write the deceased's name and date of death on any extra sheets.

Box 14 Exemptions and box J

If the value in box H (page 5) is less than or equal to the excepted estate limit (£325,000 for tax years 2011 to 2015) write '0' in box J and copy the value in box G (page 5) to box K.

You do not need to read the rest of this section – go to 'Net qualifying value for excepted estates' in the next column.

If any of the assets pass to the deceased's spouse or civil partner, a qualifying charity or other qualifying body, these assets are likely to be exempt from Inheritance Tax. There is more information about these exemptions on page 6 of these notes.

Box 14

You should describe the extent of the exemption, or list the specific assets that are entitled to exemption, in this box.

Box J

Write the total value of all exemptions in box J. For example:

1 If the deceased's will or the rules of intestacy say that the whole estate is to pass to their spouse or civil partner, say so, and write the value from box G in box J unless there are any assets in section 9 which do not pass, or have not passed, to the spouse or civil partner. Lifetime gifts would be an example.

2 If the deceased made lifetime gifts to their spouse or civil partner or to a qualifying charity, list the gifts and any exemption to be deducted from them in this box. Also show any exemptions to be deducted from the estate that passes on death. Add all the exemptions together and write the total figure in box J.

3 If there are legacies of £30,000 to the children, with three-quarters of the remainder of the estate passing to the spouse or civil partner and one-quarter to the children, explain that the estate is to devolve in this way, work out how much the spouse or civil partner is to receive and write that value in box J.

4 If the spouse or civil partner is to receive the household and personal goods and the deceased's home, list these 2 items in this box and write their total value in box J.

5 If there are any legacies to qualifying charities, write the names of the organisations that benefit in this box. Write the total of all the legacies passing to a qualifying charity in box J. If there is not enough room in the box because there are lots of legacies to different qualifying charities, you only need to list those organisations receiving more than £25,000. For the others, tell us how many other qualifying charities benefit and include one figure for the total of the smaller legacies.

6 If there is a mixture of assets passing to the deceased's spouse or civil partner and to qualifying charities, tell us as much as you can in this box and write the total amount of exemption in box J. Use box 13 if you need more room.

Box K

Take away the value in box J from the value in box G (G minus J) and write the answer in box K. This is the net qualifying value of the estate.

Net qualifying value for excepted estates

Provided the value in box K does not exceed the excepted estate limit, (£325,000 for tax years 2011 to 2015) you may apply for a grant of representation without filling in form IHT400.

If it exceeds the excepted estate limit but does not exceed twice the excepted estate limit (£650,000 for tax years 2011 to 2015) **and** you are claiming transfer of unused nil rate band from the estate of a spouse or civil partner who died before (read page 5 of these notes), you may apply for a grant of representation without filling in form IHT400. You must now fill in form IHT217 'Claim to transfer unused nil rate band for excepted estates' and attach it to this form.

If you need a copy of form IHT217:
- go to www.gov.uk/inheritance-tax
- phone our helpline on 0300 123 1072

If the value in box K exceeds the excepted estate limit, and you are not claiming a transfer of unused nil rate bad, stop filling in form IHT205(2011) now - you will need to fill in form IHT400 instead.

And finally

Read the declaration.

If the value in box H on page 5 is less than or equal the excepted estate limit, you should tick the first box.

If the value in box H on page 5 is more than the excepted estate limit, but less than or equal to twice the excepted estate limit and you are attaching form IHT217, you should tick the second box.

If the value in box H on page 5 is less than or equal to £1million and you have deducted spouse or civil partner or charity exemption so that the value in box K does not exceed the excepted estate limit, you should tick the third box.

Signing the form

Each person who will be applying for a grant should read the statements above the signatory boxes. In signing the form each person is saying that they have read the statements and will comply with their terms. Each person applying for a grant should write their name and address in one of the boxes and sign and date the form.

What to do when you have finished the form

The following paragraphs provide answers to the questions that are most often asked of our helpline.

Keeping a copy of the form

We recommend that you keep a copy of the signed form for your own records and because you will need it should the value of the estate change after the grant such that tax becomes payable. You may be asked to provide a copy of the form or you may need details of the estate for the Department for Work and Pensions. We will not be able to provide you with a copy of this form if you have not kept a copy for yourself.

What to do with the papers and records you have used to fill in the form

You do not need to send in copies of any of the other papers you have used to fill in form IHT205(2011) – just the form itself and any continuation page(s) for box 13. But you should keep the papers and records safe in case we ask you for them.

When you will hear from us if we want to see the papers and records

Provided you have used form IHT205(2011) correctly, it is unlikely you will hear from us. We have 35 calendar days after the issue of the grant to write to you about the information you have given in the form. If we do not write to you in that time, we will not need to see the papers and records and you will not have to pay any Inheritance Tax.

However, this does not apply if there is anything about the estate you have not told us on this form.

What to do now

There are slightly different processes to follow depending on whether you are applying for a grant in England and Wales or Northern Ireland.

England and Wales

If you are applying for the grant of representation yourself, read the booklet PA2 and follow the instructions to fill in form PA1. When you have gathered together all the papers needed to apply for probate or letters of administration, send form IHT205(2011), form IHT217 (if completed) and those papers to the relevant probate registry as explained in booklets PA2 and PA4.

What will happen then

Booklet PA2 tells you what will happen in detail. Briefly, anybody applying for the grant of representation will attend an appointment to swear (or affirm) an oath. Provided everything is satisfactory, the probate registry will send you the grant and will send form IHT205(2011) and form IHT217 (if completed) to us.

Northern Ireland

Read the booklet ‘Dealing with a deceased person’s estate’. When you have gathered together all the papers needed to apply for probate, phone the Belfast or Londonderry office to make an appointment for an interview. You will need to take all the papers to apply for probate and forms IHT205(2011) and IHT217 (if completed) with you. After your interview, the probate office will send you the grant and will send form IHT205(2011) and IHT217 (if completed) to us.

What happens after you get the grant

You can begin to deal with the estate by collecting in the assets and paying the debts and legacies.

What to do if the value of the estate changes

If, after you have got the grant of representation, you find some more assets, or you discover that the value of an asset has changed – for example, the house or some personal goods have been sold for a different figure, or it turns out that a debt you have deducted is not going to be repaid, you should amend your working copy of the form. If, having made these changes, the value at box K is more than the Inheritance Tax nil rate band, you will need to tell us about the changes and pay the tax (see below) or claim a transfer of unused nil rate band.

How to tell us about changes

You should fill in a form IHT400 'Inheritance Tax account' to tell us about the estate if any changes bring the estate over the Inheritance Tax nil rate band.

You must send form IHT400 to us within 6 months of finding out about the change to the estate. If you are late in sending the form to us, you may make yourself liable to financial penalties.

How to work out Inheritance Tax

You can work out the tax that is payable by deducting the Inheritance Tax nil rate band from the revised value of the estate and taking 40% of that amount. You might need to add some interest to the tax that is due. Interest runs from 6 months after the end of the month in which the death occurred. Our helpline can tell you what the rate of interest is.

Inheritance Tax reference number

If you calculate that there is tax to pay, you will need to apply for an Inheritance Tax reference number and payslip so that you can make the payment.

You can apply for a reference:

- online, go to www.gov.uk/inheritance-tax
- on form IHT422 available online or from our helpline on 0300 123 1072

If you do not want to work out the tax yourself, just send form IHT400 to us (at the address on page 27). We will then send you a calculation of the tax and any interest that you owe.

If you calculate that there is still no tax to pay, but the changes mean that the estate no longer qualifies as an excepted estate, keep a list of the changes. This is so that you can include them in an Inheritance Tax account if further changes come to light later which mean that there is Inheritance Tax to pay. There is no need to tell us about changes if there is no Inheritance Tax due.

What to do if the exemptions change

The exemptions may change if those who inherit the estate change after the date of death. The beneficiaries of an estate can alter those who inherit an estate by executing a deed of variation. If the people who inherit the estate change so that the net qualifying value of the estate is above the Inheritance Tax nil rate band, meaning there is tax to pay, fill in an IHT400. To work out the tax and get a reference number, go to www.gov.uk/inheritance-tax

For example, if all the assets passed to the surviving spouse, box K on form IHT205(2011) should show '0'. But if the spouse redirects £100,000 to their children, you should reduce the exemption shown in box J by that amount and rework the answer in box K. But as box K still does not exceed the Inheritance Tax nil rate band there is no need to tell us about the change.

But if, in the same example, the spouse redirected £400,000 to the children, the new figure in box K would exceed the nil rate band and there would be tax to pay. So you would then need to fill in form IHT400. To work out the tax and get a reference number, go to **www.gov.uk/inheritance-tax**

What to do if the changes are covered by other exemptions or reliefs

This can happen when, for example, all the assets are left to the spouse, but they include a farm that the spouse redirects (by a deed of variation) to the children. You should reduce the value of the spouse or civil partner exemption by the value of the farm and rework the answer in box K. If box K still does not exceed the nil rate band there is no need to tell us about the change, but if it is more than the nil rate band, you must fill in form IHT400.

If you consider the farm qualifies for agricultural relief, this may mean that there is still no tax to pay, but you should also include the relief in Schedule IHT414 'Agricultural relief'. You should send a copy of the deceased's will and a copy of the deed of variation with the forms.

What to do if the value of the estate changes and you need to claim a transfer of unused nil rate band after the grant

If the value of the estate changes so that it is now over the Inheritance Tax nil rate band, but you can claim a transfer of unused nil rate band which would mean that there is still no tax to pay, you should send:

- a copy of the IHT205(2011)
- a completed C4 'Corrective Account' showing the amendments to the estate
- a completed form IHT217 'Claim to transfer unused nil rate band for excepted estates'

  to

  HMRC Trusts and Estates
  Ferrers House
  PO Box 38
  Castle Meadow Road
  NOTTINGHAM
  NG2 1BB

  Solicitors and banks etc may use the DX address:
  DX701201
  NOTTINGHAM 4

Transfer of unused nil rate band - documents you should keep

If the deceased whose estate you are dealing with now left a surviving spouse or civil partner, you should keep full details of this estate in a safe place. This is so that a claim may be made for the transfer of any unused nil rate band on the death of the surviving spouse or civil partner.

The information and documents you should keep are:

- a copy of the IHT205(2011) or full written details of the assets in the estate and their values
- a copy of the grant of representation (probate or letters of administration)
- a copy of the will, if there is one
- a note of how the estate passed if there is no will
- a copy of any deed of variation or similar document if one was executed to change the people who inherited the estate

The widow, widower or surviving civil partner may wish to keep these documents with their own will, if they have made one, or with other important documents, to ensure that a claim can be made for the transfer of unused nil rate band on their death.

Penalties

The UK has introduced a new system of penalties for inaccuracies in tax returns and other documents given to us; this includes information given on form IHT205(2011). Under the new system, if you take reasonable care when filling in form IHT205(2011), we will not charge you a penalty, even if you make a mistake.

Why we need penalties

Most people take care to fill in their forms correctly. We want to encourage that and help them to get it right. We use penalties to stop people who do not take care from gaining an unfair advantage.

When penalties are charged

You should only use form IHT205(2011) if the estate is an 'excepted estate' and there is no Inheritance Tax to pay on the estate.

We may charge financial penalties if you include an inaccuracy in form IHT205(2011) which, when corrected later, means that there is some Inheritance Tax to pay after all.

How to avoid a penalty

If you take reasonable care to get it right, we will not charge a penalty if you make a mistake.
We will normally accept you have taken reasonable care if you have followed the guidance in this booklet and have:

- made a thorough search of the deceased's papers and documents to trace the assets, investments and other financial interests the deceased had when they died
- contacted others, such as family, friends, accountants etc who may have known about the deceased's affairs
- included details of all the deceased's assets, liabilities, other financial transactions and interests that are subject to Inheritance Tax on form IHT205(2011)
- taken reasonable steps to arrive at the 'open market' value of those assets

If you don't take reasonable care, we can penalise any inaccuracies. The penalties will be higher if the inaccuracies are deliberate.

What to do if you discover an inaccuracy

If, after you have applied for a grant, you discover an inaccuracy which, when corrected, means that Inheritance Tax is payable by the estate, you should tell us about it as soon possible. We explain what you should do in the section of these notes called 'What to do if the value of the estate changes' on page 26.

But there is no need to tell us about inaccuracies that do not mean there is tax to pay. Instead, make a note of them in case anything else comes to light later on which means that tax is payable when all the inaccuracies are corrected.

How to reduce a penalty

Telling us about an inaccuracy does not mean you will automatically be subject to a penalty. Depending on the circumstances, we often view that as taking reasonable care to get your tax right. We can substantially reduce any penalty if you:

- tell us about any inaccuracies before we ask you about them
- help us work out the correct amount of tax
- answer any questions we ask you fully, promptly and honestly

What to do if the inaccuracy arises from information provided by someone else

If another person has provided you with information about the deceased's affairs, for example, a member of the family has told you about a gift they received, and that person deliberately gave you the wrong information, or kept back some information, we can charge them a penalty.

We expect you to have checked that information against the other information you have discovered about the deceased and to have questioned any inconsistencies. If you can show you have done so, we will normally accept that you have taken reasonable care and we will not charge you a penalty because of the inaccuracy.

What the penalties are

The penalty is a percentage of the amount of tax that has not been paid. The penalty rate depends on why you made the inaccuracy. The less serious the reason, the smaller the penalty will be.

Maximum penalty	Type	Minimum penalty
Maximum penalty 100%	**Deliberate and concealed**	Minimum penalty 30%
Maximum penalty 70%	**Deliberate**	Minimum penalty 20%
Maximum penalty 30%	**Careless**	Minimum penalty 0%
No penalty	**Reasonable care**	

How you will know if you have to pay a penalty

We will discuss the estate with you to work out the correct amount of tax that is payable and any penalty that may be due, before we send a penalty notice. That way you can understand what has happened and why we are doing this.

If you don't agree, you can appeal against the penalty to an independent tribunal, usually the First-tier Tribunal of the Tax Chamber. You can also opt for an internal review by an independent HMRC officer, which is a quick and inexpensive way to resolve disputes.

To get our factsheet HMRC 1, go to www.gov.uk/government/publications/hm-revenue-and-customs-decisions-what-to-do-if-you-disagree

To get more information about Inheritance Tax and tax on the estates of deceased people, go to www.gov.uk/inheritance-tax

Notes on filling in form IHT217

When to fill in form IHT217

You will need to fill in form IHT217 'Claim to transfer unused nil rate band for excepted estates' if:

- the figure in box K on form IHT205(2011) is above the Inheritance Tax nil rate band (£325,000 for tax years 2011 to 2015), but below or equal to twice the nil rate band (£650,000)

and

- you are claiming a transfer of unused nil rate band from the estate of a spouse or civil partner who died before (see notes on page 5)

Where to get form IHT217

If you need a copy of form IHT217:

- go to www.gov.uk/inheritance-tax
- phone our helpline on 0300 123 1072

Most of the notes to help you fill in form IHT217 are included in the form, but the following additional notes may help you.

Not all estates use this claim form

If the estate of the spouse or civil partner who died first used up any part of the nil rate band so that 100% of the nil rate band is not available to transfer, then you should claim the transfer by filling in form IHT400 'Inheritance tax account' and claim form IHT402 instead of the IHT205(2011) and IHT217.

There are also other rules about the estate of the spouse or civil partner who died first which mean that you should fill in forms IHT400 and IHT402 instead. These are where any of the following apply to the spouse or civil partner who died first, or their estate:

- they died before 13 November 1974
- they were domiciled outside the UK at the date of death
- the estate was not wholly exempt from Inheritance Tax
- they had jointly owned assets that passed to someone other than the spouse or civil partner who has died now
- they had made gifts to chargeable (non-exempt) beneficiaries in the 7 years before they died
- agricultural or business relief applied to assets in the estate
- they made any gifts with reservation of benefit
- they benefited from a trust during their lifetime

Deeds of variation

If a deed of variation, or other similar document, has been executed to change who inherited the estate of the first spouse or civil partner to die, you should fill in form IHT217 to show the effect of the will or intestacy and the deed together.

This means that if the whole of the first estate passed to the surviving spouse or civil partner by will and a deed of variation was executed to pass part of the estate to the children, then the part of the estate that passed to the children would not be exempt from Inheritance Tax. If this is the case, you should claim the transfer by filling in form IHT400 'Inheritance Tax account' and claim form IHT402 instead of the IHT205(2011) and IHT217.

Box 10, page 2

Gifts

Gifts made in the 7 years before the deceased died would be exempt if they were made to a spouse or civil partner or a charity or other qualifying body (read page 6 of these notes). There are also other exemptions such as annual, small gifts and gifts in consideration of marriage and civil partnership which can be deducted. There is more information on these exemptions on pages 10 to 12 of these notes.

But any gifts which are not exempt, such as lifetime gifts to the deceased's children, would reduce the amount of nil rate band available to transfer and 100% of the nil rate band would not be available. If that applies, the claim for the transfer of unused nil rate band must be made on forms IHT400 and IHT402 and not forms IHT205(2011) and IHT217.

Gifts made out of income

Where the spouse or civil partner who died first, died on or after 1 March 2011, the exemption for gifts out of income (go to page 11 of these notes) cannot be deducted from gifts if the value of the gifts total more than £3,000 for each year.

If that applies, the transfer of unused nil rate band must be made on forms IHT400 and IHT402.

If the value of gifts made out of income total no more than £3,000 for each tax year, the exemption can be deducted in full.

Deaths before 1 March 2011

Where the spouse or civil partner who died first died before 1 March 2011, the value of the exemption for gifts out of income can be deducted in full.

Keep a copy of the form for your records

We strongly recommend that you keep a copy of the completed forms IHT205(2011) and IHT217 (if completed) for your records. Neither ourselves or the probate service will be able to provide you with a copy once you have sent in the form.

Where to send the form

Read page 25 of these notes for information about what to do next.

When you have finished filling in form IHT205(2011), IHT217 if required, and any other forms required by the probate service, you should send all the forms for:

- applications in England and Wales, to the Probate Registry of your choice (read booklets PA2 and PA4)
- applications in Northern Ireland, to either the Probate Office in Belfast or the District Probate Registry in Londonderry (read booklet 'Dealing with a deceased person's estate')

Do not send the forms to us (unless claiming a transfer of unused nil rate band after the issue of the grant of representation - go to page 27).

Confidentiality

You have a right to the same high degree of confidentiality that all customers have. We have a legal duty to keep your affairs completely confidential and cannot give information to others about an estate, trust or transfer even if they have an interest in it, unless the law permits us to do so. This means we may only discuss a customer's affairs with that person, or with someone else that the customer has appointed to act for them.

In the case of someone who has died, this means that we can only discuss an estate with the people (or person) who have signed and delivered form IHT205(2011); that is, the executors or administrators, or another person appointed to act for them, usually a solicitor or an accountant.

Data Protection Act

HM Revenue and Customs is a Data Controller under the Data Protection Act 1998. We hold information for the purposes specified in our notification to the Information Commissioner, including the assessment and collection of tax and duties, the payment of benefits and the prevention and detection of crime, and may use this information for any of them.

We may get information about you from others, or we may give information to them. If we do, it will only be as the law permits to:

- check the accuracy of information
- prevent or detect crime
- protect public funds

We may check information we receive about you with what is already in our records. This can include information provided by you, as well as by others, such as other government departments or agencies and overseas tax and customs authorities. We will not give information to anyone outside HM Revenue and Customs unless the law permits us to do so.

This booklet has no legal power. It reflects the tax law at the time of writing.
We may need to take into account special circumstances for a particular estate.

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