

Notes to help you fill in form IHT 205

Useful phone numbers

IR Capital Taxes

Nottingham

Helpline 0115 974 2400

Office hours

9am – 5pm weekdays

Edinburgh

Helpline 0131 777 4050
or 0131 777 4060

9am – 5pm weekdays

Addresses

Nottingham

IR Capital Taxes, Ferrers House, Castle Meadow Road,
Nottingham, NG2 1BB

Edinburgh

IR Capital Taxes, Meldrum House, 15 Drumsheugh Gardens,
Edinburgh, EH3 7UG

Before you start to fill in IHT205, you may like to look at the example shown after page 11 of this booklet. This shows you what pages 3 and 4 of the completed form may look like.

This booklet is for general guidance only. It cannot explain everything about IHT. If you want to know about any particular area of IHT in detail, please call one of our Helpline numbers.

Please note that where we refer to the IHT200 through these notes we mean IHT400

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Example of how to fill in pages 3 and 4 of the IHT205
Comments slip

Introduction

You will need to fill in a full Inheritance Tax account instead of form IHT 205 if

- the total value of all the assets belonging only to the person who has died (before taking off the funeral expenses and any debts), **and**
- their share of any assets held with someone else, **and**
- gifts of cash or stocks and shares quoted on the Stock Exchange made in the 7 years before they died,

is more than **£210,000**.

You can get a full Inheritance Tax account on form IHT200 from us. You can get form IHT200 by ringing us on 0845 2341020. Please leave a message on the answering machine. You should receive the forms within five working days.

You should make full enquiries so that you can show the figures you give and the statements you make are right.

If you are not sure of the meaning of any of the questions, phone our helpline. The numbers are on the previous page. Or contact your local probate registry or sub-registry.

If there is not enough space on the form to give the details we need, please use a separate piece of paper.

Questions

Question 1

Domicile

Usually, the country where you have your main home is where your domicile is. 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.

Please tick the box for the country where the person who has died was born, then lived and died.

If you have ticked 'other' and claim that the domicile of the person who has died was not in the United Kingdom, **do not answer any more questions on form IHT 205**. You will need to fill in form IHT200 instead.

Please note that the Channel Islands and Isle of Man are **not in the United Kingdom**.

Page 2 of IHT 205

Question 2

Questions

Gifts

You can answer 'No' to all of questions 2a, 2b and 2c if all the gifts were made **more than 7 years** before the person died.

Question 2a

You can also answer 'No' to this question if the gifts were any of the following

- gifts to their husband or wife, unless at the time of the gift the domicile of the person who has died was in the United Kingdom, but that of the husband or wife was not.
- gifts of not more than £250 to any one person in any one year ending 5 April.
- gifts of not more than £3,000 in total value in any one year ending 5 April.
- gifts which were given on regular occasions, for example, on birthdays or at Christmas.
- wedding gifts of not more than:
 - £5,000 to each child of the person who has died or the person that the child is marrying (this includes step-children and adopted children);
 - £2,500 to each grandchild or the person that the grandchild is marrying; and
 - £1,000 each to anyone else.

Please note that 'husband or wife' means someone who is **legally** married to the person who has died.

You can also answer 'No' to this question if the gifts, other than those covered by the bullet points on the previous page, were **cash or shares quoted on the Stock Exchange** with a value of not more than £75,000. But you must still show the total of **these** gifts at item 17 on IHT205.

Question 2b

Relative here includes

- any child under 18 who is not in the care of a parent,
- any child in full-time education, and
- anyone related to the person who has died or to their husband or wife and who cannot look after themselves.

Question 3

Gifts with reservation

A **gift with reservation** is one where the person receiving the gift does not fully own it, or **where the person making the gift either reserves or takes some benefit** from it. A simple example is where the person who has died gave a house to their child then continued to live in the house. We would generally treat this as a **gift with reservation**.

Question 4

Assets held in trust

A trust is an obligation binding a person who legally owns assets (the 'trustee') to deal with the assets for the benefit of another person.

A trust might be in the form of a trust deed or a will.

If the person who has died received, **under a trust**

- the **income** from assets (for example dividends from stocks and shares or interest from a building society account) **but not the assets themselves**,
- payments of a fixed amount each year, often in regular instalments, or
- the right to live in a house and use the contents without paying rent.

If they did, even though they could not deal with the assets as if they were their own, you must answer 'Yes' to this question. If you answer 'Yes', you must fill in form IHT200 instead of IHT205. (Please see the next page.)

Question 5

Foreign assets

This includes assets in the Channel Islands and the Isle of Man.

If you have answered 'Yes' to any of the questions on page 2, do not fill in the rest of the form. You will need to get form IHT200 from us.

Explanations

Joint assets

Bank and building society accounts, stocks and shares and freehold and leasehold property are the assets most usually held in joint names.

If the person who has died

- held an asset with someone else, and
- wanted their share to pass automatically to the other joint owner,

we call the asset a '**joint asset**'.

A '**joint asset**' is always held in equal shares. You should include the share of the person who has died in item 16, don't include the whole value of the asset.

But if the person who has died provided all the money in a joint account, show the whole amount in, for example, item 2 or 3.

If the person who has died

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

the co-owners hold the asset as '**tenants in common**'.

You should include assets held like this in item 12. Only include the share of the person who has died. Their share is usually in proportion to the money they put up to buy the asset or is the amount they put into a joint account. If the asset was not in the United Kingdom, show it in item 14.

'Open market value' and estimated values

For Inheritance Tax purposes, you have to value all 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 or replacement value.

If you do not know the exact amount or value of any item, such as an income tax refund or household bill, please mark the item 'estimated' and include the best estimate that you can make. Do not put off applying for the grant because you do not know the exact figures.

Other things to remember

When you give the value of assets or debts, please round down to the nearest £.

Please write 'Nil' in the value column if the person who has died did not own any of the assets described.

Page 3 of IHT 205

Now we give you help with specific assets

Items 2 and 3

Bank and building society accounts

Please show the total figure for all the money in bank and building society accounts when the person died. The figure should include interest that was owed up to that date but was not actually paid into the account. You can get these figures from the bank, building, co-operative or friendly society or savings bank.

Item 4

Household and personal goods

The term 'household and personal goods' means things such as jewellery, cars, stamp collections and so on.

You do not need to get a professional valuation, but please attach a copy if you have one.

If you estimate the value, remember to use the 'open market value' not an insurance or replacement value. (See above.)

Item 5

Savings Certificates and other National Savings investments

Please get a letter confirming the amount of savings which the person had when they died. You can do this by writing to the relevant address below.

- *For National Savings Bank Accounts and National Savings Capital or Deposit Bonds, Children's Bonus Bonds and FIRST Option Bonds:*

National Savings Bank
Cowglen
Glasgow G58 1SB.

- *For National Savings Certificates, Save As You Earn contracts and Year Plans:*

Savings Certificate and SAYE Office
Milburngate House
Durham DH99 1NS.

- *For Premium Bonds, National Savings Income Bonds, Pensioners Guaranteed Income Bonds:*

Bonds and Stock Office
Marton
Blackpool FY3 9YP.

- *For British Government stock held on the Bank of England register:*

Registrar's Department
Southgate House
Southgate Street
Gloucester
GL1 1UW.

Item 6 **Stocks, shares or investments quoted on the Stock Exchange**

You do not need to get a professional valuation, but please attach a copy if you have one. If not, please attach a list giving full details of the stocks, shares or investments belonging to the person who has died. Please also give their price. You may be able to get this from a newspaper at your local library. You should show the value of the shares on the day the person died.

If the person 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. For example, if the person died on a Sunday you can take the price for either the Monday after or the Friday before. Please say which day you have chosen.

For unit trusts, newspapers may show two prices. Take the lower of the two prices they show. If there was no price published on the day the person died, take the last price published before they died.

Item 7 **Stocks and shares not quoted on the Stock Exchange**

If the person who has died owned shares which are not quoted on the Stock Exchange, for example, in a private family company, please include them here. Please attach a list showing the name of the company, the face value, the class and the number of shares.

Please also give the estimated open market value of the shares. You may need to contact the company's secretary or accountant to get this value.

Item 8 **Insurance policies**

If an insurance company has valued the insurance policies and bonuses, please let us have a copy of their letter.

Item 9 **Amounts which employers owe**

This should include any salary and contributions to state or private pensions.

Ask the employer whether any of the payments they make are optional. If they are, you do not need to show them on the form.

Item 10 Partnership and business interests

Please give the 'net' value, that is business assets less business debts. Attach a balance sheet if you have one.

Item 11 Freehold and leasehold property

Here you should include any land and buildings which the person who has died owned. You do not need to get a professional valuation, but please attach a copy if you have one. If not, please show the full address of the property and the estimated value. Advertisements in local estate agents and local newspapers can help you to estimate the value.

Item 12 Tenants in common

See page 4 of this booklet - 'Joint assets'.
If the person who has died owned an asset as a tenant in common, include their share of the asset here. But if it is not in the United Kingdom, show it in item 14.

Item 13 Any other assets

Give details of any other assets owned by the person who has died and not already included anywhere else on the form. For example, money owed to the person who has died, income tax refunds that were due, PEPS and any death benefits which are due.

If you include a loan as an asset and the value is not the same as the amount of the original loan, please explain why.

Item 14 Assets outside the United Kingdom

Include here everything outside the United Kingdom owned by the person who has died or which was owed to them when they died.

Show the value in sterling using the exchange rate at the date when the person died.

If the value of these assets is more than £50,000, you must fill in form IHT200 instead of the IHT205. See question 5 on page 2 of the form.

Please remember that the Channel Islands and the Isle of Man are not in the United Kingdom.

You may need to take out a separate grant in the country where the assets are, so that you can deal with them.

Item 15

Nominated assets

Some types of assets, for example National Savings bank accounts and National Savings Certificates, can be 'nominated'. This means that the owner has given written instructions that the asset is to go to a particular person when the owner dies. (This does not include gifts made by will.) Nominated assets are part of the owner's estate for Inheritance Tax when they die.

Please describe the nominated assets and show their value when the person died.

Item 16

Joint assets

See page 4 of this booklet - 'Joint assets'.

If the person who has died had a share in a joint asset show it here. Please use a separate piece of paper if you need to.

Item 17

Gifts of cash or stocks and shares quoted on the Stock Exchange.

Write the total value of these gifts, other than those covered by the bullet points on page 2 of this booklet, which were made in the 7 years before the person died.

Check

Now add up all the items 1 to 17.

Put the total in box C. Is the total more than £210,000? If it is, you must fill in form IHT200.

Item 18

Debts

You should only include debts which the person who has died actually owed when they died. For example, electricity bills 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. But you should show the funeral expenses.

If there were any debts secured on or due to be paid out of joint assets, for example, a mortgage on a house or flat, include only the share of the debt owed by the person who has died.

Please enclose the original death certificate (or a copy certified by the registrar), the original will, and PA1 and IHT 205 forms. Please send the forms and documents to your local probate registry.

Everyone who is applying for the grant should sign the form.

If your papers do not cause any problems, the probate registry will probably ask you to come for an interview with them **within about three weeks** of your sending the forms to them. When they have looked at your form IHT 205, they will give it back to you. When you have paid the probate fees you can expect the probate registry to send you the grant within about two weeks. Please take the form to your local probate registry.

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

If you used form IHT 205 correctly, you should not need to fill in a full account. **But we still have the right to ask you to fill in an account of the estate within 35 days of the date of the grant. We do this for a small number of estates each year.**

After the probate registry gives the form IHT 205 back to you, **please keep it safe**. If we ask you for an account, send a copy of IHT 205 first. This may be all we need. If not, we may then ask for more information. Unless we ask for an

Which documents do I need to send?

Who needs to sign the form?

How long does it take to get the grant?

What happens after I get the grant?

Automatic clearance

account of the estate within 35 days of the date of the grant, you will not have to pay Inheritance Tax. This does not apply if there is anything you have not told us.

We can help you

We can help you with any questions you have about Inheritance Tax. You can phone us at the numbers shown on the inside front cover of this booklet.

You can help us

We want to make our forms and leaflets easy for our customers to use. Your comments can help us to do this. We would like you to tell us what you think of form 205 and this booklet. On the inside back cover, you will find a comments page. Please take a couple of minutes to fill it in. You can tear it off and either give it to the probate registry or send it to

Customer Service Manager
Ferrers House, PO Box 38
Castle Meadow Road
Nottingham NG2 1BB.

Data Protection Act

The Inland Revenue is a Data Controller under the Data Protection Act. We hold information for the purposes specified in our notification made to the Data Protection Commissioner, 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 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 government departments and agencies and overseas tax authorities. We will not give information about you to anyone outside the Inland Revenue unless the law permits us to do so.

On the next two pages we have shown an example of how you might fill in pages 3 and 4 of the IHT205. We hope that this will help you fill in your own form.

3. Return of the whole estate

(An example to help you)

Assets in the United Kingdom except for joint assets passing automatically to the surviving joint owner.

Value in £s

1. Cash other than at bank.....	<u>50</u>
2. Money in bank accounts <i>Barclays bank current account</i>	<u>550</u>
3. Money in building societies, co-operative or friendly societies or savings banks including interest to the date of death <i>Derbyshire B.Soc</i>	<u>1050</u>
4. Household and personal goods, for example, furniture, jewellery, car, stamp collections etc <i>estimated figure</i>	<u>750</u>
5. Savings Certificates and other National Savings investments <i>Premium Bonds</i>	<u>150</u>
6. Stocks and shares quoted on the Stock Exchange	<u>1250</u>
7. Stocks and shares not quoted on the Stock Exchange	<u>nil</u>
8. Insurance policies including bonuses on 'with profits' policies and mortgage protection policies	<u>nil</u>
9. Amounts which employers owe - including arrears of salary and pension payable to the estate <i>Arrears of pension due</i>	<u>50</u>
10. Partnership and business interests	<u>nil</u>
11. Freehold and leasehold property in the sole name of the person who has died. (Address(es)) <i>see joint assets below</i>	<u>nil</u>
12. Assets held as tenants in common	<u>nil</u>
13. Any other assets not included above, for example, income tax repayment, debt or other amount owing to the person who has died	<u>nil</u>
Total £	3850 A
14. Assets outside the United Kingdom (Value in sterling)	<u>nil</u>
15. Nominated assets	<u>nil</u>
16. Joint assets passing automatically to the surviving joint owner	
Details of joint assets <i>Freehold property, 10 Acacia Avenue, Anytown, Somewhere</i>	
Value of whole of joint assets £ <i>50000</i>	
Share of person who has died (eg half) <i>50%</i> Value of that share	<u>25000</u>
Total gross estate (A + 14 + 15 + 16) = £	28850 B
17. Gifts of cash, or stocks and shares quoted on the Stock Exchange	
<i>Gift of 800 Abbey National shares to Miss A Smith, 21 December 1994</i>	
<i>Worth £3450 minus £3000 annual exemption is £450</i>	<u>450</u>
Total for excepted estate (B + 17) = £	29300 C*

* see the box on the back page of this form

18. Debts

(An example to help you)

Bills owing in the United Kingdom

Funeral expenses £ 1050
 Debts owed by the person who has died £ 150
Electricity and gas bills

Mortgage on a property in the name
 of the person who has died £ nil

Total debts owing in the UK £

1200	D
------	---

Debts owing to persons outside the UK£ nil P

Debts secured on or payable out of joint assets£ nil Q

Total debts (D+P+Q) = £

1200	E
------	---

Net figure for Inheritance Tax (C minus E) £

28100	F
-------	---

Signature(s)
Date

P. Smith
1 may 2000

* If the figure at C is less than £210,000, you do not have to fill in an Account on form IHT 200. However, IR Capital Taxes has the right to call for an Account within 35 days of the grant. It calls for an Account in a small number of cases each year. The Probate Registry will return this form to you when they issue the grant of probate. Please keep this form safe so that if you do receive a request for an Account from Capital Taxes, you can send them a copy.

Unless they make such a request within 35 days of the date of the grant, you have automatic clearance from Inheritance Tax as long as you have made a full disclosure of all relevant facts.

Summary for use by the Probate Registry to calculate Probate Fees

Gross estate in United Kingdom passing under Will/intestacy £

	A
--	---

Debts in United Kingdom owed by deceased alone £

	D
--	---

Net estate in United Kingdom (A-D) £

	G
--	---

You can help us

Please tick the statement or answer that you agree with.

1 How much of this booklet did you read?

- a) All of it
- b) Most of it
- c) Some of it
- d) Hardly any of it

If d), please go to question 3.

2 How easy was it to understand **this booklet (IHT206)**?

- a) I understood it easily.
- b) I understood most of it, but some of it could be clearer.
- c) It was hard to understand.
- d) I did not understand it.

If you ticked 2 b), please say which parts could be clearer. _____

3 How easy was it to fill in **the yellow form (IHT205)**?

- a) The form was easy to follow and I knew what I had to do.
- b) Most of the form was easy to follow but some parts could be clearer.
- c) It was hard to follow and I was not always sure what I had to do.
- d) I could not follow it without help.

If you ticked 3 b) or c), please say which parts could be easier to understand. _____

4 If you have any other comments or suggestions about the form or the booklet, please mention them here or over the page. _____

Thank you

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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Nottingham, NG2 1BB
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