

Guide to completing your Inheritance Tax account

This guide will help you to:

- fill in the forms you need to complete your Inheritance Tax account
- follow the correct procedure to apply for a grant of probate, and
- pay the correct amount of Inheritance Tax, if there is any to pay.

Website: www.hmrc.gov.uk/inheritancetax

Helpline: 0845 30 20 900

We have a range of services for people with disabilities, including guidance in Braille, audio and large print. For details please phone our helpline on **0845 30 20 900**.

Ffoniwch 0845 302 1489 i dderbyn fersiynau Cymraeg o ffurflenni a chanllawiau.

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This guide will help you fill in form IHT400 and also includes help for the schedules we sent you, some of which you may need to fill in

Introduction

What is in this guide?

As well as form IHT400, you may need to fill in some of the schedules that go with it. The notes in this guide follow the box numbers in form IHT400. Notes to help you fill in the schedules are also included in this guide.

In this guide and in form IHT400 we refer to the person who has died as 'the deceased'.

We hope this guide will answer most of your questions. If you need more help:

- go to www.hmrc.gov.uk/inheritancetax or
- phone our Probate and Inheritance Tax (IHT) Helpline on **0845 30 20 900**.

These notes apply where a person died on or after 18 March 1986. If a person died before this date, please phone our helpline.

What we have sent you

If you are applying for a grant without the help of a solicitor or other agent, you should have received form IHT400, this guide and some of the schedules that we think apply to most estates (see page 4 for information about grants). But it is your responsibility to make sure you fill in the correct schedules. You do not need to fill in any that do not apply, even if we have included them with the pack.

If you need any of the other schedules, download them from our website or phone the Probate and Inheritance Tax Helpline.



Website: www.hmrc.gov.uk/inheritancetax
Helpline: **0845 30 20 900**

When you may not need to fill in form IHT400

Excepted estates

An excepted estate is an estate where no Inheritance Tax (IHT) is due and a full Inheritance Tax account on form IHT400 is not needed.

If the estate is an excepted estate, use form IHT205 or IHT207 *Return of estate information* instead or in Scotland, form C5 or C5(OUK). If you know that Inheritance Tax is due, you do not need to read pages 2 and 3 of this guide. There are three types of excepted estate:

- low value estates
- exempt estates
- foreign domiciliaries.

The rules that apply to deaths on or after 1 September 2006 start on page 2.

For deaths before 1 September 2006 phone our helpline or go to our website.

Do not fill in form IHT400 if the estate is an excepted estate. In some estates you may only need to fill in part of the form. You will need to fill in a different form of account for some special types of grant. There is more information about different types of grant on page 4. If any of these apply, phone our helpline to find out what form to use.

i **Gross value of the estate**

The total value of all the assets that make up the deceased's estate before any of their debts are taken off.

i **Specified transfers**

Gifts of cash, household and personal goods, listed shares or securities or outright gifts of land or buildings to individuals, not gifts into trust. For an estate to qualify as an excepted estate, specified transfers made within seven years of death cannot exceed £150,000.

i **Gift with reservation of benefit**

A gift which is not fully given away so that the person getting the gift does so with conditions attached or the person making the gift keeps back some benefit for themselves.

i **Domicile**

Generally, a person's domicile is where they have their fixed and permanent home and to which, when they are absent, they always have the intention of returning.

Low value estates

These are estates where there can be no liability to Inheritance Tax (IHT) because the gross value of the estate does not exceed the IHT nil rate band or twice the nil rate band where there is a valid claim to transfer the unused nil rate band from a predeceased spouse or civil partner.

The conditions for these estates are that:

- the deceased died domiciled in the United Kingdom (UK)
- the gross value of the estate does not exceed the Inheritance Tax nil rate band (see note on page 3)
- if the estate includes any assets in trust, they are held in a single trust and the gross value does not exceed £150,000
- if the estate includes foreign assets, their gross value does not exceed £100,000
- if there are any specified transfers, their chargeable value does not exceed £150,000
- the deceased had not made a gift with reservation of benefit
- gifts out of income totalling more than £3,000 in any year must be shown in full
- no charge arises on the individual's death under any of the provisions relating to alternatively secured pensions.

For claims to transfer the unused nil rate band from the estate of a predeceased spouse or civil partner, the following additional conditions apply:

- the full nil rate band must be available to transfer from the earlier death so that the deceased's nil rate band is increased by 100%
- there is only one predeceased spouse or civil partner
- a suitable claim is made to transfer the unused nil rate band.

Exempt estates

These are estates where there can be no liability to IHT because the gross value of the estate does not exceed £1 million and there is no tax to pay because one or both of the following exemptions apply:

- Spouse or Civil Partner Exemption
- Charity Exemption.

No other exemption or relief can be taken into account. Charity Exemption can only be deducted if the gift is an absolute gift to the organisation concerned.

The conditions for these estates are that:

- the deceased and the deceased's spouse or civil partner have always been domiciled in the UK
- the gross value of the estate does not exceed £1 million and the net chargeable value of the estate after deduction of liabilities and Spouse or Civil Partner Exemption and/or Charity Exemption only does not exceed the IHT threshold
- if the estate includes any assets in trust, they are held in a single trust and the gross value does not exceed £150,000 (unless the settled property passes to a spouse or civil partner, or to a charity, in which case the limit is waived)
- if the estate includes foreign assets, their gross value does not exceed £100,000
- if there are any specified transfers, their chargeable value does not exceed £150,000, and the deceased had not made a gift with reservation of benefit
- gifts out of income of more than £3,000 in any year must be shown in full
- no charge arises on the individual's death under any of the provisions relating to alternatively secured pensions.

i Legitim

Under Scottish law certain family members may have legal rights to some of the assets in a person's estate. Broadly, 'legitim' is a Scottish legal term for the rights a child may have to some assets in a parent's estate.

In Scotland, the spouse or civil partner exemption and/or charity exemption must be calculated on the basis that any entitlement to legitim against the estate will be claimed in full. In other words, only the minimum amount of Spouse or Civil Partner Exemption and/or Charity Exemption available after accounting for legitim can be deducted to establish whether the IHT nil rate band is exceeded.

Foreign domiciliaries

These are the estates where there can be no liability to IHT because the gross value of the estate in the UK does not exceed £150,000.

The conditions for these estates are that:

- the deceased died domiciled outside the UK
- the deceased was never domiciled in the UK or treated as domiciled in the UK for IHT purposes
- the deceased's UK estate consisted only of cash or listed shares and securities passing under a Will or intestacy or by survivorship.

If the estate qualifies as a foreign domiciliary, the correct form to use is form IHT207 *Return of estate information* (in Scotland, form C5(OUK)).

Inheritance Tax (IHT) nil rate band

When you are deciding if the value of the estate is below the IHT nil rate band (for excepted estates only), the correct nil rate band to use depends on the date of death and the date you apply for the grant.

If the death was between 6 August and 5 April (inclusive) in any one tax year, you should use the nil rate band that applied at the date of death.

If the death was after 5 April but before 6 August in any one tax year, and you are applying for a grant before 6 August of that year, the nil rate band that applies is the one from the tax year before that in which the deceased died.

You can find a list of nil rate bands on form IHT400 *Rates and tables*.

Grants of representation

You need a grant of representation to get access to most assets in the deceased's estate. There are a number of different types of grant. In England, Wales and Northern Ireland, the two most common types are:

- a grant of probate, where the deceased has left a Will, and
- a grant of letters of administration, where the deceased has not left a Will.

In Scotland, the grant is a grant of confirmation. Throughout this guide, we refer to all types of grant of representation as the 'grant'.

Special types of grant

There are a number of special types of grant that may apply in certain circumstances. For example:

- a grant for a limited period of time, perhaps while there is a legal dispute about the validity of a Will
- a grant that is limited to certain assets, perhaps where the estate consists of perishable goods that need to be preserved, or where the deceased has appointed an executor for certain assets. For example, an author might appoint a literary executor.

Your local Probate Registry can tell you more about these special types of grant and whether they might be of use in dealing with the deceased's estate. They will also tell you the type of grant concerned. Make sure you tick the correct box or enter this in box 119 on page 12 of form IHT400.

You will still need to fill in form IHT400 in full where the grant is for a limited period of time. Where the grant is limited to certain assets, we tell you how to fill in form IHT400 in the paragraphs below. There is information about applying for a grant on pages 58 to 62 of this guide.

When form IHT400 need not be filled in completely

There are certain types of grant where you do not have to fill in form IHT400 completely.

- When the proposed grant is to be limited to certain assets. In this case you should include the assets to be covered by the grant in pages 6 to 10 of form IHT400. All the other assets that are part of the deceased's estate, but are to be excluded from the grant, should be included in box 76 on form IHT400. You should also fill in pages 1 to 5 and boxes 83 to 108 of form IHT400 and answer the questions on pages 4 and 5. You will also need to complete and sign the declaration on pages 12 and 13. You should only fill in (at this stage) any schedules that apply to the assets for which the grant is needed.
- If you need to apply for a Settled Land Grant because land continues to be settled land after the death of the life tenant, then Schedule IHT418 *Assets held in trust* should not be filled in. Instead form IHT400 and Schedule IHT405 *Houses, land, buildings and interests in land* should be used to provide details of the settled land. You should add the following words in a blank space in the declaration on page 12 'limited to the settled land of which true particulars and value are given'. All the other property that is in the deceased's estate should be entered in box 105 on form IHT400. You should fill in pages 1 to 5 of form IHT400 as if they related to the settled land only.

- When the deceased left no estate and the grant is needed only for assets (not settled land) of which the deceased was a trustee, you only need to fill in boxes 1 to 22 and the declaration on pages 12 and 13 of form IHT400. You do not need to include the assets in the account, or fill in boxes 23 to 118 of form IHT400.

Delivering a reduced account when there is no tax to pay

If there is no tax to pay because most or all of the estate is exempt from Inheritance Tax, you may be able to fill in a reduced form IHT400. You should first check to see if the estate is an excepted estate by reading pages 1 to 3 of this guide. If it is an excepted estate you should use form IHT205 *Return of estate information* and **not** read any more of this guide.

To be able to fill in a reduced form IHT400 the deceased must have been domiciled in the UK at the date of death and there must be assets or legacies passing under the Will or intestacy to one of the following exempt beneficiaries:

- the deceased's surviving spouse or civil partner - either directly or to a trust the spouse or civil partner has the right to benefit from
- a qualifying charity
- a UK national body such as the British Museum or the National Trust.

If you need to know whether a particular national body or charity qualifies for the exemption you should call the Probate and Inheritance Tax Helpline on **0845 30 20 900** for advice.

You will then need to add together the gross value (the value before taking off liabilities, reliefs or exemptions) of any assets passing to anyone other than the exempt beneficiaries listed above and any of the following which are not passing to exempt beneficiaries:

- the deceased's share of any jointly owned assets
- any assets the deceased gave away in the seven years before death
- any assets the deceased gave away, but in which they reserved a benefit
- assets outside the UK that do not pass under the UK Will or intestacy.

If the total is less than or equal to the Inheritance Tax nil rate band then you may fill in a reduced form IHT400. If you are claiming a transfer of unused nil rate band, you may add that to the nil rate band at the date of death. If the total is less than the nil rate band and transfer of unused nil rate band, you may fill in a reduced form IHT400.

Death on active service

If the deceased was a member of the armed forces or certain associated services whose death was caused by injury or disease on active service there is a complete exemption from Inheritance Tax on the estate passing on death. A reduced form IHT400 can be delivered if this applies. The exemption does not cover lifetime gifts.

What do I need to fill in if I can send a reduced form IHT400?

If you can fill in a reduced form IHT400, you only need to fill in the following parts of the form:

- boxes 1 to 28 - complete in full
- boxes 29 to 48 - you must answer all the questions, but you may not need to fill in all of the schedules.

If you answer 'yes' to any of the following questions you must fill in the schedule:

- question 29 - fill in Schedule IHT402
- question 30 - fill in Schedule IHT403
- question 31 - fill in Schedule IHT404
- question 35 - fill in Schedule IHT408
- question 36 - fill in Schedule IHT409
- question 44 - fill in Schedule IHT417
- question 45 - fill in Schedule IHT418
- question 47 - fill in Schedule IHT420.

Where an asset included in any of the above schedules passes to an exempt beneficiary, you may include your own estimate of the 'open market value' but you must not include a nominal value.

If you answer 'yes' to any other questions you do not need to fill in the relevant schedule if all of the assets concerned pass to exempt beneficiaries. Instead you should write the value of those assets directly on the form IHT400 in the boxes on pages 6 and 7.

This means that if the residue of the estate is left in shares to a number of beneficiaries, for example, 'a half share to my wife and the remaining half share to my children equally' you must fill in a full form IHT400.

You should fill in the boxes on pages 6 to 10 for the various assets and liabilities. Where the asset passes to an exempt beneficiary, you may include your own estimate of the 'open market value' but you must not include a nominal value.

List all the assets passing to exempt beneficiaries in boxes 92 and 93 as appropriate.

Leave out boxes 109 and 110 as there should not be any tax to pay, but fill in boxes 111 to 117 to make sure.

Leave out box 118, but complete the declaration at box 119. You do not need to list any estimated values where the assets pass to exempt beneficiaries.

Use the checklist on page 14 to make sure you remember to enclose all the documents we need to see, but do not enclose supporting valuations if the assets concerned pass to exempt beneficiaries.

Changes to the administration of an estate

Where there are to be changes in the administration of an estate, you can apply for a grant to allow the administration to continue, provided the assets concerned were included in an earlier grant.

England, Wales and Northern Ireland

You **must** use form Cap A5C (available from our helpline) (or form Cap A5N in Northern Ireland) if you are applying for a:

- Grant of double probate – Where an executor (perhaps due to ill health) was not party to the initial grant, but on regaining health the executor wishes to take up office.
- Grant de bonis non administratis – When the only or last surviving executor dies without fully dealing with the estate.

When you have filled in the form, send it to the Probate Registry.

Please do not send it to us first.

Scotland

If you need an 'Eik to Confirmation' for additional assets or to amend an estate, you should fill in form C4(S) *Corrective Inventory and Account* and send it to us. After we have checked it, we will stamp and return the form to you so you can send it to the Sheriff or Commissary Clerk. If you need an 'Eik to Confirmation ad non executa' (where the estate has not been fully administered and none of the original executors, or substitutes, remain in office) you should get form X-1 from the Sheriff or Commissary Clerk.

Inheritance Tax and the grant

You must pay any Inheritance Tax and interest that is due before you can get a grant. Tax on certain assets may be paid by 10 annual instalments. The law says that we must charge interest from the first day of the seventh month after the month in which the person died.

For example, if a person dies on 7 January, we charge interest from 1 August. It does not matter why you have not paid the tax by then. Interest will still be due.

There is more information about instalments later in this guide on page 53.

Wartime compensation payments

If the deceased received a compensation payment during their lifetime for personal harm suffered at the hands of the Japanese or Nazi Governments, you should reduce the amount of tax charged on the estate by the smaller of:

- 40% of the payments received, or
- the amount of tax payable before allowing the deduction.

For example, the deceased received a payment of £10,000, which would give a deduction of $£10,000 \times 40\% = £4,000$. The Inheritance Tax on the estate before the deduction was £5,000. The tax can be reduced by £4,000. To apply the reduction you should include the figure for the reduction in tax at box 17 on form IHT400 *Calculation*. Applying the reduction can only reduce the tax liability to nil, it cannot result in a repayment of tax.

If the deceased died having made a claim but before they received the payment, you should include the amount claimed in box 76 on form IHT400 and then reduce the tax as above. You should send copies of any correspondence showing details of the deceased's claim with form IHT400. If no correspondence exists give details in the 'Additional information' boxes on pages 15 and 16 of form IHT400.

When must I send in the form?

Form IHT400 must be sent to us within 12 months of the end of the month of death. If the form is sent in after that time without reasonable excuse you may be liable to a penalty not exceeding £200. Additionally, should the delay extend another 12 months, that is, two years after death, you may be liable to an additional penalty up to £3,000. There is more about penalties on our website. To claim a transfer of unused nil rate band on Schedule IHT402 the deadline is 24 months from the end of the month in which the deceased died.

i Website: www.hmrc.gov.uk/inheritancetax
Helpline: 0845 30 20 900

Who to contact and why

When you have looked through all the deceased's papers and made a rough list of all their assets and debts, you will have to write to each organisation concerned to get the date of death value of the assets and debts and to ask if the deceased held any other assets or accounts with that organisation.

For example, you may know that the deceased had an account at a particular bank, but only have a copy of an old bank statement. You should write to that bank asking for the balance of the account at the date of death and also ask if the deceased held any other accounts, investments or safety deposit boxes with them.

You may need to contact some other organisations as well. These could include:

- personal or occupational pension schemes to see if any pension payments will continue after death, or if a lump sum is payable. You should also ask if the deceased had an 'alternatively secured pension' or had made any changes to their pension arrangements shortly before they died. This information will help you to answer the questions on the form
- insurance companies to find out if the deceased had any insurance policies which paid out to the estate or someone else or whether the deceased had any policies written in trust
- energy or phone suppliers to see if the deceased owed them any money or if any overpaid money is due to be refunded to the estate
- the local council for details of any outstanding or overpaid council tax
- National Savings & Investments (NS&I) to find out the value of any National Savings Certificates or whether the deceased had any unclaimed Premium Bond prizes
- any solicitors, accountants or financial advisors who dealt with the deceased's affairs
- the deceased's close family and friends (especially to find out if the deceased made any gifts)
- anyone named in the Will who might know about the deceased's affairs.

You will need to make detailed enquiries so that you find out everything you can about the deceased's estate and what assets and debts you should include on the form.

What values to include

The law says that for Inheritance Tax, you have to value all assets as if each item had been sold on the date the deceased died. We call this the 'open market value'. There is more information about valuing assets later in this guide. Round the value of assets down to the nearest pound and liabilities up to the nearest pound.

Estimated values

You should make full enquiries to find out the exact value for each item in the estate. However, if you are having difficulty with one or two items, such as an Income Tax repayment or household bill, or perhaps details of foreign tax or income due from a trust, the law says that you may include a provisional estimate. You should make the best estimate that you can. You will need to list the boxes that contain provisional estimates in box 119 of form IHT400.

It is your responsibility to tell us the correct figure as soon as you know it.

Documents you must keep

You do not need to send us copies of documents, for example, a letter from a bank with the balance in an account or evidence of household bills, unless we specifically ask you to provide a copy in this guide. However, you must keep safe all documents that you have used to fill in form IHT400 and the schedules because we may ask you for some or all of them after you have obtained the grant.

Original documents

If you have to return an original document, such as a life assurance or trust or a loan agreement, you should keep a copy in case we ask you for it.

**Getting started
– how to fill in your
Inheritance Tax account**

The flowchart on pages 2 and 3 of the *Quick start guide* included with these forms, takes you through the step-by-step process of how to deal with your Inheritance Tax account. You can get a copy of the *Quick start guide* from our helpline.

Instruments of variation

An instrument of variation is a legal document which allows the beneficiaries of an estate to change the terms of the Will or intestacy after the death. The IHT400 should be filled in to show any effect the variation has on the Inheritance Tax due. For example, if the deceased's children inherit part of the estate and redirect assets to the surviving spouse, increasing Spouse or Civil Partner Exemption, the IHT400 should show the increased exemption at boxes 92 and 93. If the variation affects a matter of general law, such as severing a joint tenancy, the IHT400 should show the legal position at the date of death, before the effect of the instrument of variation.

Filling in form IHT400 (pages 1 to 5) – fill in all the boxes that apply by giving the information we ask for fully. Tick the 'Yes' or 'No' boxes, as appropriate

Follow the instructions on the form.

Failure to answer the questions fully may result in delay.

More guidance is given below where necessary.

If you need to mark a particular box to indicate an answer, you can use a 'tick' or a 'cross'.

3

Inheritance Tax reference number

If there is any IHT to pay, you will need an IHT reference number and a payslip before you can make the payment.

Fill in Schedule IHT422 *Application for an Inheritance Tax reference* and send it to the address shown on that form or apply online at www.hmrc.gov.uk/inheritancetax

Deceased's details, pages 1 and 2

6

Domicile

A person's domicile is usually the country where their main home is.

The UK is not a 'country' when establishing a person's domicile. So a person will have a domicile in England and Wales, or Scotland or Northern Ireland; in these notes we refer to all of these as the 'UK'. The Channel Islands and the Isle of Man are foreign countries when considering domicile. You only need to read the rest of this note if you think the deceased was not domiciled in the UK.

Even though the deceased may have been domiciled abroad, there are some special rules that mean we can treat the deceased as if they were domiciled in the UK. The rules are that:

- if a person has lived in the UK for a long time, so that they were resident for Income Tax purposes for at least 17 out of the 20 years ending with the tax year in which they died, or
- if a person was domiciled in the UK under English law at any time in the three years before they died

the law says that we can treat the deceased as if they were domiciled in the UK when they died. This means that we can charge Inheritance Tax on the deceased's worldwide estate even though they were not domiciled in the UK when they died.

Also, if the terms of a double taxation convention or agreement apply, a person may be treated as having more than one domicile. The terms of the convention or agreement will say which domicile is to be used.

If any of these special rules apply and the deceased is treated for Inheritance Tax purposes as being domiciled in the UK, you should still enter the name of the foreign country in the box, but fill in the rest of the form as if the deceased was domiciled in the UK. Write in the 'Additional information' boxes on form IHT400 pages 15 and 16 that the deceased was treated as domiciled (or 'deemed domiciled') in the UK for Inheritance Tax purposes.

If the special rules do not apply and the deceased was domiciled outside the UK, you should fill in Schedule IHT401 *Domicile outside the United Kingdom* to give us details. Fill in the IHT400 with details of assets in the UK only.

If the deceased was domiciled in Scotland at the date of death, page 2

7 This only applies if the deceased died domiciled in Scotland. See page 3 for an explanation of 'legitim'. Please use the 'Additional information' boxes on the IHT400 pages 15 and 16 if you need to provide any other information about a claim for legal rights.

12 If the deceased was only renting the property then you should not tick 'Yes' to this question. If the deceased was renting the property from a company not listed on a recognised stock exchange that they owned shares in, then full details should be given in the box provided.

14 **National Insurance number**
Enter the deceased's National Insurance number. If the State Pension was paid directly to a bank or building society, the reference shown in the bank or building society statements is the National Insurance number. If the deceased was still working, you can find the National Insurance number on their payslip, or form P60 or on letters from HM Revenue & Customs (HMRC), such as a P2 *PAYE Coding Notice*.

15 **Income Tax or Unique Taxpayer Reference**
The Income Tax or Unique Taxpayer Reference (UTR) can be found on correspondence from HMRC if the deceased was a Self Assessment taxpayer.

16 **Power of attorney**
You should answer 'Yes' to this question if the deceased had signed a general, enduring or lasting power of attorney and that power was used by the attorney during the deceased's lifetime. A copy of the power of attorney should be enclosed with the form.

Contact details of the person dealing with the estate, page 3

17 to 22 If you are applying for a grant without the help of a solicitor or accountant to act for you and it is difficult for us to contact you by phone during the day, we cannot discuss the estate with another person without your written authority. You may want us to write to you, but for someone else - perhaps a husband, wife, civil partner or other relative - to be able to deal with phone calls. If so, enter their name and details in boxes 18 and 19.

Authority for repayment of Inheritance Tax, page 3

What makes up your Inheritance Tax account – schedules, pages 4 and 5



Website: www.hmrc.gov.uk/inheritancetax
Helpline: 0845 30 20 900

23 If we need to repay any Inheritance Tax, the cheque will be made out in the names of all the people who have signed the form. If you do not have a bank account in those names, it may be difficult for you to cash the cheque. To avoid this difficulty, you can say in the box on page 3 how you would like the cheque made out. If there are three or four executors and you want the cheque made out to just one or maybe two of them, enter the name(s) of the people here. If a solicitor or other agent is acting on your behalf and the cheque is to be made out to their firm, tick 'yes' here.

In some circumstances we need additional information about the deceased's circumstances or particular assets. You must provide this information on the schedules that accompany form IHT400. Answer the questions on pages 4 and 5 of the IHT400 to find out which schedules you need. You may need more than one copy of a particular schedule.

You will have received a selection of the more frequently used schedules. If you need others you can download them from our website or phone our helpline and ask for the ones you need. If you received schedules you do not need, do not use them.

Where necessary, the following additional notes will help you to decide which schedules you need to fill in.

29 Transfer of unused nil rate band

Fill in Schedule IHT402 *Claim to transfer unused nil rate band* if the deceased died on or after 9 October 2007, they had a spouse or civil partner who died before them and you wish to claim a transfer of unused nil rate band to add to the nil rate band on the deceased's estate.

This will apply if the estate of the spouse or civil partner who died first did not use up all of the nil rate band available, usually because most of the estate passed to the surviving spouse or civil partner or the estate was smaller than the nil rate band at the time of the first death. You have 24 months after the end of the month in which the deceased died to make the claim.

30 Gifts and other transfers of value

You can tick 'No' and do not need to fill in Schedule IHT403 if the only gifts made by the deceased were in the following categories:

- to their spouse or civil partner and Spouse or Civil Partner Exemption applies
- outright gifts to any individual which do not exceed £250 in any one year (these will be covered by the Small Gifts Exemption)
- outright gifts to any individual of money or listed stocks and shares that are wholly covered by the Annual Exemption
- outright gifts made regularly from income where the total gifts did not exceed £3,000 in each year.

These exemptions are detailed on page 72 of this guide.

If the deceased had made any other gifts or 'transfers of value' since 18 March 1986, including transfers into trust, payment of insurance premiums for the benefit of another person, advances out of a trust fund or any assets that were taken out of a trust before death, you must fill in Schedule IHT403 *Gifts and other transfers of value*. In general, a 'transfer of value' is any transaction where the deceased did not receive full value in exchange.

31 Jointly owned assets

Bank and building society accounts, stocks and shares, household goods, freehold and leasehold property are the assets most usually owned in joint names. We call all the assets that are owned jointly 'joint assets'. Fill in Schedule IHT404 *Jointly owned assets* if the deceased owned any UK assets in joint names with one or more people.

32 Houses, land, buildings and interests in land

As well as owning land and buildings, the deceased may have had interests in land or rights over land which should be shown on Schedule IHT405 *Houses, land, buildings and interests in land*. Examples of these interests and rights include:

- mineral rights
- fishing rights
- rights of way.

36 Pensions

Fill in Schedule IHT409 *Pensions* if:

- the deceased was being paid a pension from an employer or a personal pension scheme or a retirement annuity contract
- the payments continued after the deceased's death
- a lump sum became payable from such a source as a result of the deceased's death
- the deceased had made any changes to their pension provision or contributions to a pension scheme in the two years before they died
- the deceased had the benefit of an alternatively secured pension fund under a registered pension scheme and died between 6 April 2006 or 5 April 2011
- the deceased had the benefit of an unsecured pension fund under a registered pension scheme and the following applied
 - they became entitled to the benefit on the death of the original scheme member who was aged 75 or more
 - the original scheme member had an alternatively secured pension when they died
 - the deceased was a relevant dependant of the original scheme member.

Unsecured pension

An unsecured pension fund is a fund of money in a registered pension scheme that has been earmarked for the benefit of a member or a dependant, but has not been used to secure a pension by buying a pension through the scheme or an annuity (other than a short term annuity payable for no more than five years ending before the beneficiary reaches the age of 75).

Alternatively secured pension

An alternatively secured pension is an unsecured pension fund for the benefit of someone who is aged 75 or over. A 'dependant' of a member of a registered pension scheme is a person who, at the date of the scheme member's death, was:

- the spouse or civil partner of the member
- a child of the member who was under the age of 23
- a child of the member who was aged 23 or over and in the opinion of the scheme administrator was dependent on the scheme member because of physical or mental impairment.

A 'relevant dependant' is a dependant who, at the date of the scheme member's death, was:

- the spouse or civil partner of the scheme member, or
- financially dependent on the member at that time.

37 Life assurance and annuities

Fill in Schedule IHT410 *Life assurance and annuities* if the deceased paid either regular, monthly, or lump sum premiums for:

- insurance policies which are payable to the estate
- a mortgage protection policy
- unit-linked investment bonds with insurance companies or other financial service providers that pay out 101% of the value of the units to the estate
- investment or re-investment plans, bonds or contracts with financial service providers that pay out to the estate on death
- insurance policies and unit-linked investment bonds, etc., that are payable to beneficiaries under a trust and do not form part of the estate
- joint life assurance policies under which the deceased was one of the lives assured but that remain in force after the death
- insurance policies on the life of another person but under which the deceased was to benefit, or
- if the deceased received any payments under an annuity that continued after death, or under which a lump sum was payable as a result of their death.

38 Listed stocks and shares

Fill in Schedule IHT411 *Listed stocks and shares* if the deceased owned any stocks and shares which were listed on a recognised stock exchange or any UK Government or municipal securities. Shares in public limited companies (PLCs) will be listed. If the deceased had a control holding of shares in a listed company (and this will be very rare) you should not put them on this Schedule, but use Schedule IHT412 *Unlisted stocks and shares, and control holdings* instead.

39 Unlisted stocks and shares, and control holdings

Fill in Schedule IHT412 *Unlisted stocks and shares, and control holdings* if the deceased owned any shares in a private limited company that were not listed on the stock exchange. You should also fill in this schedule if the deceased owned any shares that are:

- listed on the Alternative Investment Market (AIM), Unlisted Securities Market or traded on OFEX
- held in a Business Expansion Scheme (BES) or Business Start-up Scheme (BSS)
- listed on a recognised stock exchange and the deceased had control of the company.

44 Foreign assets

Fill in Schedule IHT417 *Foreign assets* to give details of any overseas assets owned by the deceased, including any jointly owned overseas assets. Do not include here details of foreign shares that are listed on the London Stock Exchange. We call all the assets that the deceased owned overseas 'foreign assets'. The Channel Islands and the Isle of Man are foreign countries so assets held there are foreign assets.

45 Assets held in trust

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

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

In some circumstances where a person has an 'interest in possession' in settled property, they are treated for Inheritance Tax purposes as if they owned those assets personally. You should fill in Schedule IHT418 *Assets held in trust* if the deceased's interest in possession was in:

- a trust set up before 22 March 2006
- a trust that was set up on or after 22 March 2006 **and was**
 - an immediate post death interest
 - a disabled person's interest
 - a transitional serial interest.

What is an immediate post death interest?

An immediate post death interest is one where the beneficiary is entitled to a benefit from a trust, and:

- the trust was set up under a Will or under the rules of intestacy
- the beneficiary became entitled to their benefit on the death of the person who set up the trust (the settlor)
- the trust is not for a disabled person or a bereaved minor.

What is a disabled person's interest?

A disabled person's interest arises where:

- more than half of the assets in a trust in which nobody has a right to benefit from are applied for the benefit of a disabled person, or
- an individual (the settlor) who is suffering from a condition likely to lead to them becoming disabled, as described below, sets up a trust using their own assets and the following conditions apply
 - there is no interest in possession during the settlor's life
 - any trust property that applies during the settlor's life is applied for their benefit
 - if the trust is brought to an end during the settlor's life the assets must become the property of the settlor or part of a disabled person's trust
 - a disabled person became entitled to an interest in possession in a trust that came into existence on or after 22 March 2006
- the beneficiary is a disabled person and the trust was set up on or after 22 March 2006.

Definition of a disabled person

For this purpose a disabled person is a person who:

- is not able to administer their own property or manage their own affairs because of a mental disorder, within the meaning of the Mental Health Act 1983, or
- receives an Attendance Allowance under Section 64 of the Social Security Contributions & Benefits Act 1992 or of the Social Security Contributions & Benefits (Northern Ireland) Act 1992, or would receive an Attendance Allowance if they were not prevented from doing so because they were undergoing treatment for renal failure in hospital, or
- receives a Disability Living Allowance under Section 71 of those Acts because they are entitled to the care component at the highest or middle rate, or would be entitled to it if they had not been provided with certain accommodation, or
- satisfies the HMRC Commissioners that they would have been in receipt of either benefit had they met the residence conditions.

What is transitional serial interest?

There are two types of transitional serial interest. The first type is where an interest in possession trust arises on or after 22 March 2006 and before 6 April 2008, but it follows a previous interest in possession that already existed before 22 March 2006.

The second type is where the interest in possession trust arises on the death, on or after 22 March 2006, of the holder of a previous interest in possession and either:

- the new holder is the spouse or civil partner of the previous holder, or
- the settled property consists of a contract of life insurance.

If you would like more information on transitional serial interests, go to www.hmrc.gov.uk/inheritancetax

46 Debts owed by the deceased

Fill in Schedule IHT419 *Debts owed by the deceased* to give details of any:

- money that the deceased had borrowed from close friends or relatives
- money that close friends or relatives had spent on behalf of the deceased and is to be repaid from the estate
- other loans, or
- guarantee debts that you are deducting from the estate.

You do not need to fill in Schedule IHT419 if the debt is a mortgage secured against a property shown in Schedule IHT405 *Houses, land, buildings and interest in land*. Instead the mortgage should be shown in box 80 on form IHT400.

47 National Heritage assets***Conditional Exemption***

Conditional Exemption from Inheritance Tax is available for pictures, prints, books, manuscripts, works of art, scientific objects and antiques and other objects that do not produce income. The exemption must be claimed within two years after the deceased's death, except in exceptional circumstances.

To qualify for exemption they must be pre-eminent for their national, scientific, historic, or artistic interest, or be historically associated with a building that qualifies for Conditional Exemption.

Buildings qualify if they are of outstanding historic or architectural interest. Land qualifies if it is of outstanding scenic, historic or scientific interest, or if it protects the character and amenities of a qualifying building.

The exemption applies as long as the owner:

- keeps the asset in the UK
- maintains and preserves it
- allows public access to it without prior appointment.

If you are claiming Conditional Exemption or the deceased owned any assets exempted on National Heritage grounds on any earlier taxable occasion, please fill in Schedule IHT420 *National Heritage assets - Conditional Exemption and maintenance funds*.

Maintenance funds

These are trust funds that HMRC has approved for the maintenance of outstanding land or buildings and any amenity land or historically associated contents which would qualify for Conditional Exemption.

If the deceased owned any assets maintained by a maintenance fund, please fill in Schedule IHT420 *National Heritage assets Conditional Exemption and maintenance funds*.

Exemption from Inheritance Tax is available for outright transfers to maintenance funds. The exemption must be claimed within two years after the deceased's death, except in exceptional circumstances.

If you are claiming this exemption please fill in Schedule IHT420.

48 Schedules

When you have identified which schedules you need you should fill them in before going on to page 6 of form IHT400.

Filling in the schedules – additional notes

Introduction

Wherever possible we have included the notes on the schedule. The following schedules have additional notes you can find here:

• Schedule IHT403 <i>Gifts and other transfers of value</i>	18
• Schedule IHT404 <i>Jointly owned assets</i>	23
• Schedule IHT407 <i>Household and personal goods</i>	26
• Schedule IHT408 <i>Household and personal goods donated to charity</i>	26
• Schedule IHT409 <i>Pensions</i>	27
• Schedule IHT411 <i>Listed stocks and shares</i>	31
• Schedule IHT412 <i>Unlisted stocks and shares, and control holdings</i>	32
• Schedule IHT413 <i>Business and partnership interests and assets</i>	34
• Schedule IHT414 <i>Agricultural Relief</i>	37
• Schedule IHT418 <i>Assets held in trust</i>	39
• Schedule IHT420 <i>National Heritage assets - Conditional Exemption and maintenance funds</i>	40

Schedule IHT403 *Gifts and other transfers of value*

What is a gift?

The law says that there will be a gift whenever there is a 'loss to the donor' (the 'donor' is the person making the gift).

It is not just outright gifts, such as giving a cheque for £10,000 to someone on a special occasion, that are relevant for Inheritance Tax. This can happen in different ways.

Example

- A parent sells a house to their son for less than they could sell the property on the open market. For Inheritance Tax purposes, this would result in a loss to the donor.
- A person holds shares in a company that give them control of that company. They sell a few shares to a relative but this means losing control of the company and reduces the value of their other shares. For Inheritance Tax purposes, this would result in a loss to the donor.

Please tell us about any assets given away (gifts) or transferred by the deceased where there was a 'loss to the donor' on or after 18 March 1986.

Time limits

When we consider the value of a person's estate we generally look at the seven year period before their date of death. However, rarely, gifts made before that seven year period need to be taken into account. See page 22.

Value of gifts

It is important that you let us know the value of any gifts made by the deceased in case the value needs to be deducted from the nil rate band, so we can work out how much tax is payable.

Include full details of all gifts that are not wholly covered by Spouse or Civil Partner Exemption, Small Gifts Exemption or Annual Exemption. Full details of these exemptions can be found on page 72 of this guide.

Who pays the Inheritance Tax on a gift?

If the total value of the gifts is below the Inheritance Tax nil rate band, the gifts use up the nil rate band first. The tax payable on the estate takes into account the gifts, but the recipients do not have to pay any of the tax themselves. The tax will be paid by the personal representatives.

Example

A makes a gift of £100,000 on 3 May 2005 and dies on 18 July 2006.

A's estate on death is £300,000.

Inheritance Tax is calculated:

IHT nil rate band on 18 July 2006	£285,000
Less gift	£100,000
Nil rate band available	£185,000
A's estate on death	£300,000
Less available nil rate band	£185,000
Chargeable	£115,000
Tax on estate at 40% = £115,000 x 40%	
Tax due	= £46,000

If the gifts total more than the nil rate band for Inheritance Tax, then the tax is due on the gifts themselves and is payable by the recipients of the gifts.

Example

B makes a gift of £300,000 on 10 May 2005 and dies on 27 August 2006.

B's estate on death is £500,000. Inheritance Tax due on the gift is calculated:

Gift	£300,000
Less IHT nil rate band on 27 August 2006	£285,000
Chargeable	£15,000
Tax on gift at 40% = £15,000 x 40%	
Tax due	= £6,000

The Inheritance Tax on the estate, payable by the personal representatives, is £500,000 x 40% = £200,000.

Gifts made within seven years before death



Website: www.hmrc.gov.uk/inheritancetax
Helpline: 0845 30 20 900

1 Gifts or assets transferred

This includes gifts of cash or other assets and any other arrangements that have given rise to a 'loss to the donor'. This may include:

- granting a lease at less than full market rent
- re-arranging the shares in a private company, or altering the rights attached to the shares
- agreeing to act as a guarantor for someone else's debts.

If you are not sure whether to include details of a particular transaction, please phone our helpline.

2 Trusts and settlements created by the deceased during their lifetime

This includes gifts of cash or other assets as well as any other arrangements with the trustees that have given rise to a 'loss to the donor'. If the gift was made on or after 22 March 2006 we will calculate tax using the rate of tax appropriate to the date the gift was made, unless one of the following conditions apply:

- the trust was set up for the benefit of a person who was disabled at the time the assets were transferred into trust, or
- the trust was set up by a person who is suffering from a condition which can be expected to lead to them becoming disabled, and
 - the gift was from their own assets
 - the trust is for their own benefit.

See page 16 of this guide for a definition of a disabled person.

4 Premiums paid on a life assurance policy

You should answer 'yes' to this question if the deceased has made a gift by paying the premium(s) on a life assurance policy for the benefit of someone else. Please ignore policies where the only person to benefit would be the deceased's spouse or civil partner. You should provide a copy of:

- the life assurance policy, and
- any related documents such as trust deeds and loan agreements.

If there is more than one insurance policy and they are all identical, you only need to send a copy of one policy. You must include details of all premiums paid and provide copies of the policy documents, even if you are deducting exemption as gifts made out of income (see page 21).

In some circumstances, the deceased may have purchased an annuity as well as paying the premiums on a life assurance policy for the benefit of someone else. There are rules that might apply in such circumstances and the exemption as gifts made out of income may not be available against the premiums.

Please provide a copy of the annuity documents and life assurance policy if the deceased had:

- purchased an annuity (at any time), and
- paid the premiums on a life assurance policy for the benefit of someone else, and
- the life assurance policy was taken out after 27 March 1974.

5 The deceased ceased to have a right to benefit from assets

The deceased may have been entitled to benefit from the assets held in a trust or settlement, but during their lifetime that entitlement came to an end. This may be in whole or in part.

Their entitlement to benefit from the asset may have come to an end because of the terms of a trust or because the deceased asked the trustees to alter or terminate their entitlement.

6 Gifts treated as exempt because they are gifts out of income

If you are claiming that gifts made by the deceased are exempt as gifts made as part of normal expenditure out of income, please fill in the table on page 6 of the schedule, as well as giving details of the gifts on page 2 of the schedule.

More information about the 'Normal Expenditure Out of Income' Exemption can be found at page 72 of this guide.

Gifts with reservation of benefit

A gift with reservation is one where the recipient does not fully own it or where the donor either reserves or takes some benefit from it.

Where this happens the law says that we can include the assets as part of the deceased's estate at death. This rule only applies to gifts made on or after 18 March 1986 and there is no seven year limit as there is for outright gifts.

The most common examples of gifts with reservation include:

- a parent (now deceased) gave their house to their son, but continued to live there without paying rent.
- a parent put a building society account into their daughter's name but the interest the money earned continued to be paid to the parent.

If the parent in the first example made an arrangement to pay rent at the market rate, then the parent (the donor) would not have reserved benefit.

Details about the gift should be entered on page 2 of Schedule IHT403, 'Gifts made within the seven years before death', instead.

There may be times when a gift is originally given with reservation of benefit and the reservation ceases at a later date. For example, a parent gives their house to their son and continues to live there without paying rent. Two years later the parent starts to pay rent at the market rate. This means that the reservation has ceased.

Once the reservation has ceased, the gift becomes an outright gift.

We will consider the gift to have been made on the date the reservation ceased. In this example this will be on the first date the rent (at market rate) is paid.

When we calculate the tax due, the seven year period would begin on the date the reservation ceased.

If the deceased died within the seven year period, do not enter details here. Give details on page 2, 'Gifts made within the seven years before death', instead and include the value of the property at the time the reservation ceased.

Please note, the law says that where a gift with reservation becomes an outright gift, you cannot deduct any of the exemptions from the value of the gift.

If you need help or more information, please phone our helpline.

Pre-owned assets

In some situations, where a person benefits from assets they owned previously, a charge to Inheritance Tax may arise under the rules relating to gifts with reservation.

An Income Tax charge on pre-owned assets (POA) was introduced in the 2005-06 tax year. This charge applies to assets that a person disposed of, but continued to get benefit from. It can also apply when a person contributed to the purchase of an asset for another person that they subsequently benefitted from.

The legislation gives you the option to elect to have the asset treated as part of your estate for Inheritance Tax purposes, under the reservation of benefit rules. So long as the election remains in place, you will not have to pay the Income Tax.

To make this election you must have submitted a form IHT500 *Election for Inheritance Tax to apply to asset previously owned* before 31 January after the year in which you became liable to the charge, or exceptionally, if you can show a reasonable excuse for failure to submit the form by the deadline, at a later date. It is not possible for an election to be made on the deceased's behalf after death.

Earlier transfers

This part of the form is about any gifts made by the deceased (the donor) in the period before the gifts shown on pages 2 to 4 of the form. To work out whether tax is payable on any gift, the law says that we must add it to any chargeable gifts made in the seven years before the gift concerned. For example, if the deceased made a gift six years before they died, we will add that gift to any chargeable gifts made in the seven years before the gift was made.

A chargeable gift is any gift that is not wholly covered by exemptions and:

- was made before 18 March 1986, or
- was made between 18 March 1986 and 21 March 2006 and was given to a company or the trustees of a discretionary trust
- was made on or after 22 March 2006 unless it was a gift
 - to another individual
 - to a disabled trust
 - into a bereaved minor's trust on the coming to an end of an immediate post-death interest.

Gifts from one individual to another are not chargeable gifts and should not be included in this section of the form.

You should not include these earlier gifts with the estate on death because they are only relevant in working out tax payable on gifts. We will take any earlier gifts into account when looking at the gifts after you have taken out the grant.

Gifts made as part of normal expenditure out of income

The table on page 6 of the IHT403 is a guide to the information you must provide if you want to show that the regular gifts made by the deceased formed part of their normal expenditure out of income and were therefore exempt.

Full details are needed of the deceased's income and expenditure for each year for which the exemption is being deducted, so that you show that the gifts were made out of the deceased's income rather than out of capital.

You do not have to provide copies of bank statements or bills at this stage, but you should be prepared to provide documentary evidence of the deceased's income and expenditure if we ask you for it after you have sent us the form.

Schedule IHT404 *Jointly owned assets*

Establishing the deceased's share

The deceased's share of the asset for Inheritance Tax purposes may be different from the legal position and you will need to establish the deceased's share.

Where land and buildings are owned in joint names, the deeds to the property will usually set out the share of each owner. But, with other assets, each owner's share will usually correspond to their contribution to the asset. Where the deceased's share does not correspond to their contribution to the asset you will need to explain why the deceased's share is different on Schedule IHT404.

Businesses

You must not include any business assets owned jointly by a partnership on the Schedule IHT404. Such assets should be included on Schedule IHT413 *Business and partnership interests and assets* and in box 69 on page 7 of form IHT400.

Foreign property

The way in which assets may be owned jointly in the UK does not usually apply in other countries. You must not include any jointly owned foreign property on Schedule IHT404. Complete Schedule IHT417 *Foreign assets* giving details of the foreign property and, in the 'Additional information' boxes on pages 15 and 16 of the form IHT400, enter the details of the other joint owners. You should use the questions on page 2 of Schedule IHT404 as a guide to the information we need.

Houses and land

If the deceased owned any houses or land jointly give details here.

Household goods

If the deceased was a joint owner of household goods and effects, they should be included here as joint property. Group the items together in the same categories and list them in the same order as shown on Schedule IHT407 *Household and personal goods*.

Insurance policies and bonds

If you have deducted any money owed under a joint mortgage in box 2 on Schedule IHT404 and a policy was assigned to repay the mortgage, include the value of the deceased's share of the policy proceeds as an asset on Schedule IHT404 at box 6.

If the deceased was entitled to benefit from a 'joint life and survivor' policy (see Schedule IHT410 *Life assurance and annuities*), give the name of the insurance company, the policy number and the value of the deceased's interest in the policy on the Schedule IHT404 at box 6. This is a complex area. To find out more on the subject of life assurance policies go to www.hmrc.gov.uk/inheritancetax

How to value joint property

The rules for valuing joint property are the same as the rules for valuing assets owned by the deceased alone. For more information about valuing assets see pages 65 to 71 of this guide. In the case of bank and building society accounts, stocks and shares find out the whole value and then include the value of the deceased's share.

Example

The deceased owned a joint account with two other people that was worth £9,000 at the date of death. They had all contributed equally to the money in the account. The value of the deceased's share would be an exact one third of the whole (that is, £3,000).

However, in the case of a house or land, the open market value of a share is likely to be less than a share calculated in this way, as a discount may be appropriate. The amount of the discount will vary depending on the circumstances of each property and whether English or Scottish law applies.

English law - To give us a starting point, you may reduce the arithmetical share of the value of the whole of the property by 10%. This will give us an indication of the value of the share of the property. This figure of 10% is only to give us a starting point. The amount of the discount, as well as the value estimated for the whole of the property, may need to be changed after the grant has been issued.

Example

The deceased owned a house worth £120,000 jointly with one other person. The arithmetical value of the deceased's share is £60,000 and this may be reduced by 10% (or £6,000). The value to include is £54,000.

Scottish law - Under Scottish law a joint owner has a right to raise an action for division and sale. A discount for joint ownership will reflect the cost and possible delay of raising such an action. The cost is not related to the value of the property, so cannot be calculated in percentage terms. As a starting point you may deduct £4,000 from the value of the whole property before calculating the arithmetical value of the deceased's share as the value to be included in the account. This is only a starting point. The value estimated may need to be changed after you get confirmation.

The other joint owner is a spouse or civil partner

Whether English or Scottish law applies you must not apply any discount if the other joint owner is the deceased's spouse or civil partner. Special rules prevent this discount from applying, so you should include the deceased's arithmetical share of the whole value of the house or land.

We will usually ask the Valuation Office Agency to give us their opinion of the value of the deceased's property. They will take into account the circumstances of any jointly owned property and amount of discount to be allowed. If the Valuation Office Agency cannot accept the figures you have used, they will try to agree a value with you. If the agreed value is more than the figure that you have suggested, you may have to pay some more tax (and interest).

Schedule IHT407

Household and personal goods

Valuing household and personal goods

Information on how to value household and personal goods can be found on page 68 of this guide.

We only want individual values for the assets described in boxes 1 to 3 on Schedule IHT407. All other household goods can be added together and the total value entered in box 4.

Schedule IHT408

Household and personal goods donated to charity

Charity Exemption

Sometimes the people inheriting the deceased's household and personal goods want to donate some or all of the items to charity. For example, by donating them to a charity shop. If they decide to do that they will only be able to deduct Charity Exemption from the value of the goods if they sign an instrument of variation (IOV). For more information on IOVs go to www.hmrc.gov.uk/inheritancetax

Schedule IHT408 is a standard form that allows the beneficiaries to make such a donation and benefit from Charity Exemption without having to sign an IOV.

All the beneficiaries who have inherited the goods should complete and sign the declaration to show whether all or some of the goods are being given to charity and which charity or charities are going to benefit.

Schedule of items

If some, but not all, of the goods are being given to charity, the beneficiaries making the gift should complete the schedule of items to show which items are being gifted and the value of those items.

All the items donated to charity in this way should also be included in Schedule IHT407.

The amount of charity exemption claimed should be shown in box 92 on form IHT400.

Schedule IHT409

Pensions

Personal pension policies replaced annuity contracts from 1 July 1988. Where we refer to personal pension policies this also applies to retirement annuity contracts.

If the deceased owned a retirement annuity contract, complete Schedule IHT409 as if it were a personal pension policy.

Registered or non-registered pension schemes

For Income Tax purposes, pension schemes and personal pension policies can be registered with HMRC to enable tax privileged saving. The scheme papers or policy documents should indicate if the scheme is registered. If they do not, the Scheme Administrator will be able to tell you. If the benefits are payable under a scheme that is not registered with HMRC, please give details (on the 'Additional information' box on form IHT400) of benefits payable under the scheme and those taken by the deceased as well as answering the questions on Schedule IHT409.

If you want to discuss a particular situation with us, please phone the helpline on **0845 30 20 900**.

Continuing pension payments

In most cases, the payment of a pension or other benefit will stop when the person entitled to it dies. In some cases, the pension may be guaranteed for a fixed period and the person entitled to it dies before the end of that period. The payments may then continue to be paid to the estate. The value of the right to receive the remainder of the payments should be included on this Schedule and on form IHT400.

Lump sum benefit

Some pension schemes or personal pension policies pay out a lump sum benefit when the person dies. This is often referred to as the death benefit. The lump sum is an asset of the deceased's estate and should be included on form IHT400 if:

- it is payable to the deceased's personal representative, either by right or because there is no one else who qualifies for the payment, or
- the deceased could, right up until their death, have signed a binding 'nomination' (either for the first time or after having revoked an existing 'nomination') that obliged the trustees of the pension scheme to make the payment to the person named by the deceased.

Letter of wishes

A binding nomination is different from a 'letter of wishes'. A letter of wishes records what the deceased would like to happen with the death benefit and does not bind the trustees of the pension scheme to follow the deceased's wishes.

It is important to find out whether or not the deceased could bind the trustees with a nomination. Many pension schemes and policies provide a form that is called a nomination, but which usually goes on to say that the trustees are not bound to follow the deceased's wishes. If the deceased signed such a form, they have signed a letter of wishes and not a binding nomination.

Transfers of or changes to pension benefits

Most pension schemes and personal pension policies allow the member to transfer or dispose of the death benefits and to make changes to the benefits that they are entitled to under the scheme or policy. Usually, the member can:

- nominate or appoint the death benefits to someone else
- assign the death benefits into a trust
- make changes to the pension benefits they intend to take and when they intend to take them (some examples of the sort of changes that might be made are in the next section).

If the deceased transferred pension benefits, made a nomination, appointment or assignment or made any changes to the pension benefits in the two years before they died, there may be a liability to Inheritance Tax. If this applies, please complete the section headed 'Transfers to or changes to pension benefits'.

'**Income drawdown**' is a particular situation where the deceased has reached pension age but has chosen not to buy an annuity that will provide their pension. Instead, they decide to 'draw' a certain level of income from the retirement fund 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 with their pension provider a plan on retirement to take so many segments each year.

Examples of changes to benefits

Some examples of changes in benefit that might be made are:

- where the deceased reached pension age and decided not to take the payment of their pension at that time or chose to take 'income drawdown'
- where the deceased, having got to pension age and chosen to take 'income drawdown' decided at a later date (and whilst in ill health) to reduce the level of income taken, or
- where the deceased, having got to pension age and chosen to take 'phased retirement,' decides at a later date (and whilst in ill health) to reduce the number of segments taken.

Where the deceased has given away any benefits, or has made some changes to the benefits they were entitled to, it is possible that they may have made a transfer of value. Enter the details we ask for above on Schedule IHT409 and we will look at what you have said after the grant has been issued. If we think there has been a transfer of value, we will discuss the value with you.

If you wish to include your own value for the benefits given away, enter a figure on Schedule IHT403 *Gifts and other transfers of value*. Use the 'Additional information' boxes on pages 15 and 16 on form IHT400 to show how you have arrived at your value.

Valuing the benefits given away

The value of the benefits given away or the impact of the changes made will depend to a large extent on the deceased's health at the date of the transfer, nomination, appointment or change. Please provide some evidence of the deceased's state of health and life expectancy at that time so we can establish the value. A letter from the deceased's doctor is the best sort of evidence.

If getting a letter from the deceased's doctor will delay your application for a grant, you do not have to have it before you send form IHT400 to us. However, we will need to see the letter as soon as you receive it after the grant has been issued.

Contributions to a pension scheme within two years of death

Contributions to a pension scheme by the scheme member or their employer may be a transfer of value (gift) if the contributions are made when the scheme member is in ill health.

Alternatively secured pension funds

This can only apply where the members date of death was between 6 April 2006 and 5 April 2011 inclusive and the date of birth was between 6 April 1931 and 21 June 1935 inclusive.

An alternatively secured pension fund (ASP) is a fund of money in a registered pension scheme that has been earmarked for the benefit of a member or a dependant (who is aged 75 or more) but has not been used to secure a pension by buying a pension through the scheme or an annuity (other than a short term annuity payable for no more than five years).

A 'dependant' of a member of a registered pension scheme is a person who, at the date of the scheme member's death, was:

- the spouse or civil partner of the member
- a child of the member who was under the age of 23
- a child of the member who was aged 23 or over and in the opinion of the scheme administrator was dependent on the scheme member because of physical or mental impairment.

A 'relevant dependant' is a dependant who, at the date of the scheme member's death, was:

- the spouse or civil partner of the scheme member, or
- financially dependent on the member at that time.

Tax charge on alternatively secured pension funds

If the deceased had an alternatively secured pension fund as the original scheme member, the value of the fund which is left at the date of death is aggregated with the deceased's estate for Inheritance Tax purposes. The total Inheritance Tax payable is then apportioned between the personal representatives of the estate and the administrators of the pension scheme. Any part of the fund which is going to be used to provide benefits for the deceased's relevant dependants is ignored, because the Inheritance Tax charge is deferred until the death of the relevant dependant.

Any part of the fund that is passing to a qualifying charity is exempt.

If you are not sure whether the deceased's pension was an alternatively secured pension you should contact the pension provider.

Dependant's pension fund

This only applies if the date of death was between 6 April 2006 and 5 April 2011 inclusive.

If the deceased benefited from a dependant's unsecured or a dependant's alternatively secured pension (ASP) fund as a dependant of a member of a registered pension scheme, there may also be an Inheritance Tax charge.

This charge will arise in the following two situations:

- the deceased benefited from a dependant's unsecured or a dependant's ASP fund as the 'relevant dependant' of a scheme member who died with an ASP
- the deceased benefited from a dependant's ASP fund derived from the pension lump sum death benefit of a scheme member who died before the age of 75.

In the first situation the Inheritance Tax would be calculated by reference to the estate of the original scheme member and not the estate of the relevant dependant. The tax would be paid by the administrators of the pension scheme, who would complete forms IHT100 *Inheritance Tax Account, chargeable event* and IHT100g *Alternatively secured pension chargeable event* to tell us about it.

In the second situation the value of the dependant's ASP fund will be aggregated with the value of the estate of the dependant and the tax payable will be apportioned between the personal representatives of the estate and the administrators of the pension scheme.

Schedule IHT411

Listed stocks and shares

Dividends and interest

Include in boxes 1 and 2 any dividends and interest on the assets that were due at the date of death, but have not yet been paid. More information on the different types of dividends payable and what to include can be found in 'How to value the assets' on page 65 of this guide.

Unit trusts

When you are filling in Schedule IHT411, please enter the full name of the unit trust, for example, 'AXA Equity & Law Unit Trust Managers, Pacific Basin Trust Accumulation Units'.

Newspapers do not show dividends due on unit trusts. You will need to ask the fund managers what you should include as the declared dividend.

Personal Equity Plans (PEPs)

If the deceased owned a PEP you should get a valuation from the PEP managers. Enclose it with the schedule and enter 'see attached valuation' on the appropriate part. Copy the value of the shares in the PEP to the appropriate column, but do not include any deductions for managers' fees. If you cannot get a valuation, list the shares held in the PEP on the form and value them in the same way as other shares. You must include a figure for any uninvested cash held in the PEP with the value for the shares.

Individual Savings Accounts (ISAs)

Only shares listed on a recognised stock exchange may be held in an ISA. If the deceased held any shares in an ISA, you should include those shares in box 2 on Schedule IHT411. List the shares on the schedule and value them in the same way as other shares. You must include a figure for any uninvested cash held in the ISA, but do not include any other cash or insurance policies held in an ISA with the value for the shares.

Put cash held in an ISA in box 1 on Schedule IHT406 *Bank and building society accounts and National Savings & Investments*. Shares listed on a foreign stock exchange may also be held in an ISA. You should include foreign shares (other than those listed on the London Stock Exchange) on Schedule IHT417 *Foreign assets*.

Shares listed on these markets should be entered as follows:

- AIM, the Alternative Investment Market, include any shares on Schedule IHT412 *Unlisted stocks and shares and control holdings*.
- NASDAQ, the National Association of Securities Dealers Automated Quotations, include any shares on Schedule IHT417 *Foreign assets*.
- EASDAQ, the European Association of Securities Dealers Automated Quotations, include on Schedule IHT417 *Foreign assets*.
- OFEX, an unregulated trading facility for dealing in unquoted shares, include any shares in box 1 on Schedule IHT412 *Unlisted stocks and shares, and control holdings*.
- USM, the Unlisted Securities Market. This is only relevant if the deceased died before December 1996. Include any shares on Schedule IHT412 *Unlisted stocks and shares, and control holdings*.

UK Government and municipal securities

- 1 This box should be used to list all UK Government and municipal securities, including:
- Treasury Stock, Exchequer Stock, Convertible Stock, Consolidated Stock and Loan, Funding Stock, Savings Bonds, Victory Bonds, War Loans
 - Government stock held on the British Government Stock Register
 - all UK municipal securities, mortgages, debentures and stock in counties, cities or towns, dock, harbour and water boards, Port of London Authority, Agricultural Mortgage Corporation and Northern Ireland municipal stock.

Listed stocks, shares and investments

- 2 All stocks, shares, debentures and other securities listed on the Stock Exchange Daily Official List should be listed in these boxes. These include:
- unit trusts
 - investment trusts
 - Open-Ended Investment Companies
 - Personal Equity Plans
 - shares held in an Individual Savings Account
 - foreign shares listed on the London Stock Exchange.

Box 2 should be used for holdings of listed shares that did **not** give the deceased control of the company.

If the deceased held shares that gave them control of the company they should be shown on Schedule IHT412 *Unlisted stocks and shares and control holdings*.

Schedule IHT412 *Unlisted stocks and shares, and control holdings*

Valuing unlisted shares

Information on how to value unlisted shares is given in 'How to value the assets' on page 65 of this guide.

We will usually ask HMRC, Shares and Assets Valuation to consider the value of unlisted shares; their helpline number is **0115 974 2222**.

Traded unlisted stocks and shares

1

and

4

You should include the following shares in these boxes:

- shares listed on the Alternative Investment Market (AIM)
- shares traded on OFEX (an unregulated trading facility for dealing in unlisted shares).

Shares which **did not** give the deceased control of the company should be listed in box 1.

Shares which **did** give the deceased control of the company should be listed in box 4.

Unlisted stock, shares and investments

2

and

3

You should include the following shares in these boxes:

- unlisted shares and securities in private limited companies
- shares held in a Business Expansion Scheme (BES) or in a Business Start-up Scheme (BSS).

Shares which **did not** give the deceased control of the company should be listed in box 2.

Shares which **did** give the deceased control of the company should be listed in box 3.

Listed stocks, shares and investments that gave the deceased control of the company

5

You should include the following in this box. All stocks, shares, debentures and other securities listed on the Stock Exchange Daily Official List which gave the deceased control of the company.

Business relief

If you want to deduct business relief from unlisted stocks and shares, and control holdings of listed stocks and shares you should read the notes in this guide for Schedule IHT413 *Business and partnership interests and assets*.

Business relief and gifts of unlisted stocks and shares, and control holdings

For business relief to apply to a gift of unlisted stocks and shares, and control holdings, the following additional special rules apply:

- the shares must have been owned by the person receiving the gift from the date of gift to the date the transferor died
- the share must not have been subject to a binding contract for sale at the date of death
- the shares would have qualified for Business Relief if the person receiving the gift had made a transfer of the shares at the date of death.

The last rule does not apply to control holdings of listed shares or unlisted shares which were unlisted at the date of gift and remained unlisted throughout the period between the gift and the death of the deceased (or death of the person who received the gift, if they died first).

Schedule IHT413

Business and partnership interests and assets

You must fill in Schedule 413 *Business and partnership interests and assets* if the deceased owned:

- a business or part of a business, or
- an asset used in a business and you are deducting Business Relief.

If necessary, complete a separate form for each business partnership or asset used in a business. For more information on Business Relief go to www.hmrc.gov.uk/inheritancetax or phone our helpline on **0845 30 20 900**.

For Business Relief on shares use Schedule IHT412 *Unlisted stocks and shares, and control holdings* instead of Schedule IHT413.

When is Business Relief available?

The relief is available for transfers of certain types of business, business assets and shares. The deceased must have owned the assets for a minimum period, generally two years, and the assets must also qualify under a number of other rules.

What is the rate of relief?

If the asset qualifies for relief, the rate at which relief is allowed is shown in the table on page 35. The relief is given by deducting the relevant percentage of the capital value of the asset.

If the asset qualifies for 100% relief, you should include the value of the asset in box 69 on form IHT400. You should deduct the relief using the same figure in box 93 on form IHT400.

Rate of relief table

Type of interest in the business	Date of death on or after 6 April 1996	Date of death between 10 March 1992 and 5 April 1996 inclusive	Date of death between 17 March 1987 and 9 March 1992 inclusive
Business or interest in a business	100%	100%	50%
Control holdings of shares in an 'unlisted' company	100%	100%	50%
Substantial holdings of shares in an 'unlisted' company	100%	100%	50%
Other shares in an 'unlisted' company	100%	50%	30%
Control holding of shares in a 'listed' company	50%	50%	50%
Land, buildings or plant and machinery used in a business	50%	50%	30%
Land, buildings or plant and machinery held in a trust	50%	50%	30%

Definitions

Listed company

A company that is listed on a recognised stock exchange. This includes shares traded on the American NASDAQ and European EASDAQ for deaths after 9 March 1992.

Unlisted company

A company that is not listed on a recognised stock exchange. Some companies, although they are listed in the Stock Exchange Daily Official List, are still regarded as 'unlisted' when considering Business Relief. These include:

- shares listed on the Alternative Investment Market (AIM)
- shares listed on the Unlisted Securities Market (USM).

For shares listed on the USM, there are rules that apply to deaths before 10 March 1992. Please phone our helpline if the deceased owned shares listed on the USM and the date of death, or date of gift, is before 10 March 1992.

Control holding

A holding of stocks and shares that gives a person control of a company. For Inheritance Tax a person controls a company if they can control the majority (more than 50%) of the voting powers on all questions affecting the company as a whole.

Substantial holding

A holding of stocks and shares that gives the owner more than 25% of the voting powers on all questions affecting the company as a whole.

Used in a business

Land, buildings or plant and machinery will only qualify for Business Relief if it is used in a business in which the deceased was a partner at the date of death or if it was used by a company that was controlled by the deceased.

Held in trust

Land, buildings or plant and machinery held in trust will only qualify for Business Relief if the deceased had the right to benefit from the trust and the asset was used in a business carried on by the deceased.

Valuing a business

Information on how to value the businesses is given on page 70 of this guide.

Ownership, contract for sale and business interests details

1 Ownership

If you have answered 'No' to this question, the deceased has not owned the assets for long enough to qualify for Business Relief. However, there are rules where Business Relief may still be available. These rules apply where:

- the deceased inherited the asset on death, or
- the asset has replaced other assets that qualified for Business Relief.

To find more information about this go to www.hmrc.gov.uk/inheritancetax or phone our helpline on **0845 30 20 900**.

3 Contract for sale

If the business or business interest was subject to a binding contract for sale at the date of death, Business Relief will not normally be due unless either of the two conditions given at box 6 applies.

Business Relief on lifetime gifts of business and partnership interests and assets

Complete this section if you are deducting Business Relief in connection with a lifetime gift as at the date of gift. You must answer each of the questions so we can decide if the relief is due.

On the form we refer to the period between the date of gift and the date the deceased died as the 'relevant period'.

You must consider whether, if the person who received the gift had made a transfer of the property at the date of death, the transfer would have qualified for Business Relief, known as a 'notional transfer'.

Note

If the conditions for both Agricultural Relief and Business Relief are met, Agricultural Relief is allowed in preference to Business Relief. Business Relief is not allowed instead of, or in addition to, Agricultural Relief.

Schedule IHT414

Agricultural Relief

When is Agricultural Relief available?

Agricultural Relief is available for transfers of agricultural property and certain shareholdings in farming companies. There are three basic rules:

- 1 the property must be agricultural property
- 2 the deceased must have owned the property for a minimum number of years, and
- 3 the property must have been used for agricultural purposes.

What is Agricultural Relief?

For the purposes of Agricultural Relief, agricultural property is agricultural land or pasture in the European Economic Area, Channel Islands or the Isle of Man used in the growing of crops or intensive rearing of animals for food consumption. Buildings used for the intensive rearing of livestock or fish and woodlands are treated as agricultural property if their occupation is ancillary to the occupation of agricultural land or pasture.

It also includes any farmhouses, cottages or buildings that are of a 'character appropriate' to the property. This means that they must be proportionate in size and nature to the requirements of the farming activities conducted on the agricultural land or pasture in question.

What is the rate of relief?

The relief is calculated by deducting the relevant percentage of the capital value of the asset. So, if the property qualifies for 100% relief, you should include the value of the assets in box 68 on form IHT400. You should deduct the relief using the same figure in box 93. If it qualifies for 50% relief, include the value of the assets in box 68 and deduct the relief using half of that figure in box 93.

	Date of death on or after 10 March 1992
Land with vacant possession	100%
Land that is let	50%
Land that was let after 31 August 1995	100%

There are some circumstances where the higher rate of relief can apply to land that is let.

It is possible that the relief may be available at the higher rate if the land was subject to a tenancy that began before 10 March 1981. There are three other conditions that apply. They are that:

- the deceased has owned the land since 10 March 1981
- the land would have qualified for full Agricultural Relief under the law at that date, and
- the deceased did not have and could not have had the right to vacant possession between 10 March 1981 and the date of death.

Give full details of the reasons why you think this applies in this case in the 'Any other information' box on page 4.

Note

If the conditions for both Agricultural Relief and Business Relief are met, Agricultural Relief is allowed in preference to Business Relief. Business Relief is not allowed instead of, or in addition to, Agricultural Relief.

The rules on Agricultural Relief are complicated and you can find more information on our website. Go to www.hmrc.gov.uk/inheritancetax

Binding contract for sale

- 3 If, before the deceased died, all or part of the property was subject to a binding contract for sale where contracts have been exchanged (or in Scotland, when missives have been concluded) but the sale had not been completed, Agricultural Relief will not be due. You should give details of the sale, and clearly identify the part of the property that was sold on the plan you supply.

Use of agricultural land

- 5 Describe the agricultural activities carried out by each occupier. State whether it was:
- an arable, pastoral or mixed farm
 - the type of crops usually grown, and
 - the type of livestock that grazed the land.
- If a variety of livestock grazed the land, give us some idea about the number of animals and acreage used by each type.
- Tell us if the agricultural activity stopped at any time. State when this happened and why. Agricultural Relief may still be due if the property was managed under an agro-environmental or habitat scheme arrangement.

- 6 Describe the agricultural activities carried out by the deceased. State whether it was:
- an arable, pastoral or mixed farm
 - the type of crops usually grown, and
 - the type of livestock that grazed the land.
- If a variety of livestock grazed the land, give us some idea about the number of animals and acreage used by each type.
- If the deceased was granted a grazing licence or grasskeep (conacre in Northern Ireland), provide a copy of the licence if there is one, or give full details of the grazing licence in box 5.
- You should also tell us if the deceased left the property or stopped the agricultural activity. State when this happened and why. Agricultural Relief may still be due if the property was managed under an agro-environmental or habitat scheme arrangement.

Farmhouses and cottages

- 12 We need full details of all the houses and cottages from which you are deducting Agricultural Relief. If you need more space, please download or photocopy extra copies of page 3 of Schedule IHT414.
- 15

**Agricultural Relief
and lifetime
transfers**

17

to

20

If you are claiming Agricultural Relief on a gift you must answer questions 17 to 20 to help us decide if the relief is due.

Schedule IHT418

Assets held in trust

**Deceased's interest
in possession**

You must complete Schedule IHT418 if the deceased had an interest in possession and the trust is one of the following:

- a trust that was set up before 22 March 2006 from which the deceased was entitled to benefit
- an immediate post-death interest
- a disabled person's interest
- a transitional serial interest.

All these interests are explained at pages 15 and 16 of this guide.

Foreign trusts

If the deceased had a right to benefit from settled property where the assets are overseas, and the person who set up the trust was domiciled outside the UK when the trust was created, please answer questions 2 to 5 only.

**Who should tell us
about a trust?**

The trustees of the trust must give us full details of assets and liabilities that make up the trust and who must pay any Inheritance Tax that is due.

However, we need to know the total net value of settled property to be included in the estate so that we can work out the total tax that is due. In certain circumstances the trustees will pay the tax at the same time as you apply for a grant. This may happen where the trustees and the personal representatives are the same people.

If this applies here, please give full details of all the assets and liabilities on the Schedule IHT418 and send us a copy of the deed of trust. If the trustees and the personal representatives are the same people and you give us details of the settled property, we may ask for a formal account to be completed and signed by the trustees. We will only do this in exceptional circumstances.

If the trustees and the personal representatives are different people or if you have only been able to give brief details on Schedule IHT418, we will ask the trustees to complete a separate account.

Assets in the trust

If you have full details of the assets held in trust you can give us those details at boxes 8 and 13. If you need more space to list the assets, you can use the 'Any other information' box on page 4 of Schedule IHT418. Liabilities that relate to the assets can be shown in boxes 9 and 14. See page 72 of this guide for information about exemptions and reliefs.

How to value assets held in trust

The rules for valuing settled property are the same as the rules for valuing assets owned by the deceased. For more information on valuing assets see pages 65 to 71 of this guide.

Insurance policies held on trust

You should make sure that under the terms of the policy the deceased's interest is one of the interests where the value of the trust should be included as part of their estate for Inheritance Tax purposes. If this is the case, tell us:

- the names and addresses of the trustees, and
- the value of the deceased's interest in the policy.

Please attach a copy of the policy.

Future right to assets in a trust

19**to****23**

The deceased may have been entitled to some assets in a trust but someone else is receiving the benefit from them during that person's life.

The deceased's estate will not receive the assets until after the other person has died. This is also known as a 'reversionary interest' or an 'interest in expectancy'. Tax will only be due on this future right in rare circumstances and you should answer question 20 to see if the value should be included in form IHT400 or not.

Schedule IHT420 *National Heritage assets - Conditional Exemption and maintenance funds*

Conditional Exemption

Please fill in Schedule IHT420 to:

- claim Conditional Exemption
- claim exemption for a transfer into a maintenance fund
- give details of any asset in the estate which has at any previous time
 - been granted Conditional Exemption from Inheritance Tax, Estate Duty or Capital Gains Tax on the grounds that they were national heritage assets, or
 - been the object of a maintenance fund.

Conditional Exemption from Inheritance Tax is available for transfers of assets that form part of the UK's national heritage and must be claimed within two years after the deceased's death, unless there are exceptional circumstances. This means that Inheritance Tax is not paid when the asset passes to a new owner on death or by way of a gift. To qualify for the exemption the new owner must agree to look after the item, allow public access to it without prior appointment and, if it is moveable, keep it in the UK. But it is only a Conditional Exemption. If the new owner dies or disposes of the property, by sale or gift or otherwise, or does not keep to the agreement, tax will normally become chargeable.

But tax would not be chargeable if:

- a donee or legatee agree to be bound similarly
- the sale was by private treaty to an approved national institution such as the British Museum or National Trust, or
- the property was accepted in lieu of Inheritance Tax.

What items qualify for Conditional Exemption?

A wide range of heritage assets may qualify for the exemption:

- land of outstanding scenic, historic or scientific interest such as an Area of Outstanding Natural Beauty, a famous battlefield or a Site of Special Scientific Interest
- buildings of outstanding historic or architectural interest
- land essential for the protection of the character and amenities of such a building
- objects historically associated with such a building, and
- pictures, prints, books, manuscripts, works of art or scientific objects and other objects that do not yield income, which are pre-eminent for their national scientific, historic or artistic interest in their own right.

Who decides what items qualify?

HMRC decides if an item qualifies for Conditional Exemption with assistance and advice from the Government's heritage advisory bodies.

What other schedules do I need?

As well as filling in Schedule IHT420, you will also need to fill in other schedules to give full details of the assets concerned.

Land and buildings

The value of any land or buildings which are already conditionally exempt, which are the objects of maintenance funds or on which Conditional Exemption is now being claimed should be shown in the appropriate box on pages 6 and 7 of form IHT400. Deduct the amount of exemption you are claiming at box 93. You should also fill in Schedule IHT405 *Houses, land, buildings and interests in land* with full details of the land or buildings concerned.

Chattels

The value of any chattels which are already conditionally exempt, which are the objects of maintenance funds or on which Conditional Exemption is now being claimed should be shown in box 55 of form IHT400. Deduct the amount of exemption you are claiming at box 92. You should also fill in Schedule IHT407 *Household and personal goods* with full details of the chattels concerned.

Assets passing under the deceased's Will to the trustees of a maintenance fund

Maintenance funds are trust funds that HMRC has approved for the maintenance of outstanding land or buildings and any amenity land or historically associated contents which would qualify for Conditional Exemption. Exemption from Inheritance Tax is available for outright transfers to maintenance funds. The exemption must be claimed within two years after the deceased's death, except in exceptional circumstances. If any money or other assets are passing under the terms of the deceased's Will to a maintenance fund and you wish to claim exemption from Inheritance Tax, you should enter the value of the money or assets in the appropriate boxes on pages 6 and 7 of form IHT400. The amount of exemption claimed should be deducted at box 93, if the assets are land or buildings, or box 92 for all other assets. In the case of non-cash assets you should also fill in the appropriate schedule giving full details of the assets concerned.

Where can I get more information?

If you want more information on heritage assets or Conditional Exemption, go to www.hmrc.gov.uk/inheritancetax or phone the Probate and Inheritance Tax Helpline on **0845 30 20 900** and ask to be put through to the Heritage Team.

Filling in form IHT400 (pages 6 to 16) – estate in the UK

Assets on which tax may or may not be paid by instalments

You must fill in pages 6 to 10 with details of all the deceased's assets and liabilities. These pages are divided into two columns labelled column A and column B. The Inheritance Tax on all assets shown in column A must be paid before you can get a grant of representation (or confirmation in Scotland). The Inheritance Tax on assets in column B may be paid in 10 annual instalments (that is, one instalment each year for 10 years) provided that the assets concerned have not been sold. You will have to pay interest on the instalments.

After you have filled in pages 6 to 10 you will be able to decide, at box 110, if you wish to pay the tax on the assets in column B by instalments.

Jointly owned assets, page 6

- 49 and 50** You must include the value of the deceased's share of all jointly owned assets in boxes 49 and 50. You will also need to give full details of these on Schedule IHT404 *Jointly owned assets*. There is more information about jointly owned assets on page 23 of this guide.

You must include the value of all the assets described in boxes 51 to 76 that were owned in the UK by the deceased in their own name when they died.

Assets owned outright by the deceased, pages 6 and 7

- 51 Deceased's residence (except farmhouses and jointly owned houses)** Include the value of the deceased's home. If the deceased's home is a farmhouse on which you are deducting Agricultural Relief, do not include it here. Include it at box 68 instead. If the deceased had moved to a nursing or other residential home before they died and their home was vacant, include the value of the house here and not box 70. If the deceased's residence was let at the date of death, include it at box 70 and not at box 51.

You must also fill in Schedule IHT405 *Houses, land, buildings and interests in land* giving full details of the deceased's home if it was let, or a farmhouse. If the deceased's residence was jointly owned, include it in box 49 and fill in IHT404 *Jointly owned assets*.

52 Bank and building society accounts

List each account or investment on Schedule IHT406 *Bank and building society accounts and National Savings & Investments* (or form C1 *Inventory* in Scotland) and include in this box the total for:

- current, deposit, high interest, fixed interest, term, bond and money market accounts with a bank, building society, mutual, friendly or co-operative society
- accounts with supermarkets or insurance companies
- National Savings Bank accounts
- TESSA accounts
- cash in an Individual Savings Account (ISA).

How to value bank and building society accounts

The bank or building society will be able to tell you how much was in each account when the deceased died and how much interest was due, but not paid, up to the date of death. If you have separate figures for capital and interest, please add them together on Schedule IHT406. Business bank accounts should not be entered on Schedule IHT406, they should be included on page 7 of the IHT400 and Schedule IHT413 *Business and partnership interests and assets*.

53 Cash

Include in this box:

- any cash held by the deceased or kept at home or elsewhere such as safe deposit boxes
- cash held for the deceased by someone else, for example, a stockbroker
- traveller's cheques
- any uncashed cheques made out to the deceased.

Sterling traveller's cheques should be included at face value. If the traveller's cheques are in one of the major foreign currencies, convert them to sterling using the closing mid-price at the date of death. You can find currency conversions in the financial pages of a daily newspaper or you may also find this information on the Internet.

54 Premium Bonds and National Savings & Investments products

List each investment separately on Schedule IHT406 *Bank and building society accounts and National Savings & Investments* (or form C1 *Inventory* in Scotland) and include in this box the total for items such as:

- Premium Bonds, including any unclaimed or uncashed prizes
- 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.

You can find out the value of all National Savings investments by sending off form NSA 904. You can get this form from the Post Office®. If the reply gives separate figures for capital and for interest owed, but not paid, up to the date of death, please add them together on Schedule IHT406.

55 Household and personal goods

Enter in box 55 the total value of all household goods and personal possessions which have been listed on Schedule IHT407 *Household and personal goods* and copy the figure from box 6 on that schedule into box 55 on form IHT400.

56 Pensions

Enter in box 56 the total of the figures in boxes 7 and 15 of Schedule IHT409 *Pensions*, plus the value of any pension arrears due to the deceased from the last monthly payments to the date of death.

57 Life assurance and mortgage protection policies

Enter in box 57 the total amount payable:

- from life assurance policies, including bonuses
- under mortgage protection policies (you can find out more about joint mortgage protection policies on page 24 of this guide)
- under unit-linked investment schemes that pay 101% of the unit value on death
- under investment or re-investment plans, bonds or contracts with a financial services provider that pay out on death
- for the value of the deceased's interest in joint life insurance policies under which the deceased was one of the lives insured, but that remain in force after the death
- for the value of insurance policies on the life of another person but under which the deceased was to benefit
- from insurance policies that are part of an Individual Savings Account
- under private medical insurance to cover hospital or other health charges incurred before death.

Fill in Schedule IHT410 *Life assurance and annuities* to give details of each insurance policy.

62 UK Government and municipal securities

Enter in box 62 the total value for:

- Treasury Stock, Exchequer Stock, Convertible Stock, Consolidated Stock and Loan, Funding Stock, Savings Bonds, Victory Bonds, War Loans
- Government Stock held on the Bank of England Register (previously held on the National Savings Register)
- cities or towns, dock, harbour and water boards, Port of London Authority, Agricultural Mortgage Corporation, Northern Ireland municipal stock.

Fill in Schedule IHT411 *Listed stocks and shares* to give details of each investment. Copy the figure from box 1 of that schedule to box 62 on form IHT400.

63 Listed stocks, shares and investments

Enter in box 63 the total value for:

- all stocks, shares, debentures and other securities listed in the Stock Exchange Daily Official List
- unit trusts
- investment trusts
- Open-ended Investment Companies
- Personal Equity Plans (PEPs)
- shares that are part of an Individual Savings Account (ISA)
- foreign shares that are listed on the London Stock Exchange.

Do not include listed shares that gave the deceased control of the company. Include those at box 67 instead.

There is guidance about how to value stocks and shares on page 65 of this guide.

You will also need to fill in Schedule IHT411 *Listed stocks and shares* listing all the deceased's stocks, shares and investments. Copy the figure from box 2 of that schedule to box 63 on form IHT400.

64 Dividends or interest on stocks, shares and securities

Enter in box 64 the total value of dividends and interest on assets in boxes 62, 63, 65, 66 and 67 due at the date of death but which had not yet been paid.

65 Traded unlisted and unlisted shares except control holdings

Where a company is not listed on the London Stock Exchange, any foreign recognised stock exchange or alternative market, its shares and securities are classified as unlisted.

Enter in box 65 the total value of:

- unlisted stocks and shares in private limited companies
- shares held in a Business Expansion Scheme (BES) or in a Business Start-up Scheme (BSS)

on which the deceased did not have control of the company.

Include the stocks and shares on IHT412 *Unlisted stocks and shares, and control holdings*.

66 Instalments on shares

You may pay the tax on some traded unlisted and unlisted shares by instalments but this will be very rare. See the notes on Schedule IHT412 about paying tax by instalments.

67 Control holdings of unlisted, traded unlisted and listed shares

Include in this box the total value for:

- shares listed on the Alternative Investment Market (AIM)
- shares traded on OFEX

on which the deceased had control of the company.

Include the stocks and shares on Schedule IHT412 *Unlisted stocks and shares, and control holdings*.

68 Farms, farmhouses and farmland

Include in this box the total value of farms, farmhouses and farmland on which you are deducting Agricultural Relief.

You must also fill in Schedule IHT405 *Houses, land, buildings and interests in land* giving full details of the farms, farmhouses and farmland and Schedule IHT414 *Agricultural Relief* to deduct Agricultural Relief.

69 Businesses including farm businesses, business assets and timber

Include the net value of the deceased's interest in a business in box 69. If the deceased took part in more than one business, you may need to fill in a separate Schedule IHT413 *Business and partnership interests and assets* for each business or partnership. Enter the total value of all the businesses in the appropriate box.

Farm business

Include in this box any assets that the deceased owned and were still used by the deceased for farming business activities.

Business property

Include the value of any property owned by the deceased from which they ran a business, either alone or in partnership (for example, a hotel, a shop, or a factory). If it was a farming business, include the value of the property in box 68.

Interest in a business

Include the net value of the deceased's interest in a business or a farming business. If the deceased was in partnership, enter the value in box 69. If the deceased took part in more than one business, you may need to fill in a separate Schedule IHT413 *Business and partnership interests and assets* for each business interest.

Interest in the partnership

Include the net value of the deceased's interest in a partnership. If the deceased took part in more than one partnership, you may need to fill in a separate Schedule IHT413 *Business and partnership interests and assets* for each partnership interest.

Business assets

Include here the value of any assets that the deceased owned and were used by the deceased for business activities.

Timber and woodland

Include the value of any timber and woodland owned by the deceased that is not part of a farm. Most farms will include coppices, small woods and belts of trees that shelter the land. Include these with the value for the farm in box 68.

70 Other land, buildings and rights over land

Include in this box the value of any other land, buildings or rights over land not included in boxes elsewhere.

These may include:

- rental properties
- lock-up garages
- redundant land
- derelict property
- quarries
- airfields
- fishing or other rights attached to land.

Fill in Schedule IHT405 *Houses, land, buildings and interests in land* with details of the land or property.

71 Interest in another estate

and

72

The deceased may have had the right to a legacy or share of an estate of someone who died before them. If the deceased died before receiving the full legacy or share from that estate, include a value in this box for the assets that they still have to receive. You will need to fill in Schedule IHT415 *Interest in another estate* to give details of this interest.

73 Debts due to the estate

Enter the total value of:

- money that the deceased had lent personally to someone and which had not been repaid at the date of death
- money which the deceased had lent to trustees linked to a life assurance policy held in trust
- money for which the deceased held a promissory note
- money for which the deceased held an 'IOU'
- money owing to the deceased from a director's loan account or current account with a company.

You will need to fill in Schedule IHT416 *Debts due to the estate* to give details of each sum owed to the deceased.

Debts due to deceased and secured by mortgage

Enter the total amount of money the deceased had lent to someone that was secured by a mortgage and had not been repaid at the date of death. You will need to fill in Schedule IHT416 *Debts due to the estate* giving details of each mortgage.

74 Income Tax or Capital Gains Tax repayment

Enter in box 74 the total amount of any Income Tax or Capital Gains Tax actually repaid to the estate or a reasonable estimate of any sum that might be repayable to the deceased. An Income Tax repayment may be due if the deceased died early in the tax year and received a pension and other income where tax was deducted at source.

75 Trust income due to the deceased

Enter in this box income due to the deceased from a trust. This could be income that the trustees had received but not paid to the deceased or income that had accrued, but not been paid to the trustees.

For the purposes of answering this question it does not matter whether or not the value of the trust property is to be treated as part of the deceased's estate for Inheritance Tax purposes. The trustees of the trust should be able to tell you the figure to include in box 75.

76 Other assets and income due to the deceased

Enter in box 76 the total value of any other assets not listed in boxes 49 to 75 or income due to the deceased not paid at the date of death. Include here the gross amount of any rent from let property that was due to the deceased. Include the property itself separately on Schedule IHT405 *Houses, land, buildings and interests in land*.

Other assets and income

Enter the total amount of:

- money owed in salary, wages or director's fees
- benefits (other than arrears of pension) due but unclaimed from the Department for Work and Pensions (include arrears of pension in box 56)
- any refunds from gas, electricity or water suppliers
- any insurance premium or licence refunds
- lump sums payable to the estate from an annuity, pension scheme or policy
- money due to the deceased from the sale of real and leasehold property where the contract for sale had been exchanged before the death but the sale had not been completed by the time the deceased died
- any other assets not included elsewhere.

Deductions from the estate incurred up to the date of death, pages 8 and 9

80 Mortgages and secured loans

Include in this box any money that was secured by a mortgage on the buildings or land shown on pages 6 and 7. If the same mortgage was secured on property in two or more of boxes 49 to 71, and at the same time an exemption or relief is due, that mortgage will have to be apportioned between the properties. Also, in the rare instance where there is only one property within the categories described by boxes 49 to 71, but part of that property is used wholly or mainly for business purposes and part is not, then the mortgage should normally be apportioned between the part of the property used for the business and the part that is not.

If the deceased had a mortgage protection policy, include the mortgage in box 80 and include the money due to the estate from the policy in box 57.

81 Funeral expenses

You may deduct funeral costs and reasonable mourning expenses. You may also deduct the cost of a headstone or tombstone 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 the mourners after the service
- necessary expenses incurred by the executor or administrator in arranging the funeral.

Use the space provided to give details of other costs that are being deducted.

82 Other liabilities

Only include debts that the deceased actually owed at the date they died. You must not include fees for professional services carried out after death unless the fees were incurred in obtaining a refund of Income Tax or Capital Gains Tax and the refund is shown as an asset of the estate in box 74. This means that probate fees, any solicitor's or estate agent's fees and any valuation fees incurred in dealing with the deceased's estate cannot be deducted.

List all the debts owed by the deceased at the date they died. Fill in the name of the person or organisation that is owed the money and say briefly why the money is owed. If you include a deduction for solicitor's or accountant's fees, give the dates for the period during which the work was done. Add up the liabilities and enter the total in this box.

Loans

Fill in Schedule IHT419 *Debts owed by the deceased* to give details of any loans made to the deceased.

Uncleared cheques

If you include cheques written by the deceased, but which had not cleared before they died, please say who the cheques were written out to and for what goods or services. Uncleared cheques that were written by the deceased as gifts cannot be deducted as liabilities of the estate.

Money being repaid

Fill in Schedule IHT419 *Debts owed by the deceased* to give details about money being repaid to relatives.

Guarantee debts

Fill in Schedule IHT419 *Debts owed by the deceased* to give details about any guarantee debts.

Dealing with a deficit, page 9**85
and
86**

If the figure in box 85 or 86 is a minus figure (because the liabilities on the assets in column A or column B were greater than the value of the assets) you can deal with the deficit as follows:

- if the figure in box 85 is a minus, write '0' in box 85 and deduct the deficit at box 88
- if the figure in box 86 is a minus, write '0' in box 86 and deduct the deficit at box 87
- if the figure at box 89 or 90 is a minus, write '0' in box 89 or 90 and deduct the deficit from the foreign property (if there is any) by adding the deficit to the liabilities in box 2 on Schedule IHT417 *Foreign Assets*
- if the foreign property is also a deficit, write '0' in box 3 on Schedule IHT417
- if there is a deficit, box 96 should also be '0'.

Exemptions and reliefs, page 9**92****Exemptions and reliefs deducted from assets in column A**

You can find more information about exemptions and reliefs on page 72 of this guide. Most exemptions and reliefs apply to particular assets. So the amount of the exemption or relief is limited to the value of the asset after any liabilities have been taken away. Enter here the exemption or relief to be deducted from the assets included in column A of pages 6 and 7.

Some exemptions, for example, Charity Exemption, may apply to the estate as a whole. Where this applies, apportion the relief between the assets concerned, irrespective of how the legacy will be funded, so a proportion of the relief may apply to the assets in column A and the other part to the assets in column B. Do not deduct a transfer of unused nil rate band here, use box 114 instead.

Estate Duty paid on death of spouse

If the deceased had the right to benefit from a trust set up by the Will or intestacy of a spouse or former spouse who died before 13 November 1974, the capital value is left out of the account if Estate Duty was paid or was treated as paid on the earlier death for those assets and the deceased was 'not competent to dispose' of the assets. For example, if the deceased was given the power to say how the settled property should be dealt with either during their lifetime or on their death, they would be competent to dispose of the assets and the exclusion would not apply.

Excluded property

If the deceased was domiciled outside the UK and was not resident or ordinarily resident in the UK when they died, foreign currency bank accounts held with certain banks in the UK are 'excluded property'. A foreign currency account with any 'High Street' bank, such as Barclays or Royal Bank of Scotland will qualify. Foreign currency accounts with other banks such as:

- ANZ Grindlays Bank Plc
- Banque Nationale de Paris Plc
- Italian International Bank Plc
- Wesleyan Savings Bank Plc

will also qualify. Phone our helpline if you need to check whether or not a foreign currency account qualifies as 'excluded property'. Include the bank accounts in box 52 of form IHT400, but deduct the value in box 92.

If the deceased was not ordinarily resident in the UK when they died, all UK Government securities issued after 29 April 1996, for example, 9% Conversion Stock 2011 or 6.25% Treasury Stock 2010, are excluded property. Include the securities in box 62 of form IHT400, but deduct the value in box 92.

If you are making a deduction for excluded property from the assets in a trust, any apportioned income included in box 74 is also exempt. However, the exemption does not apply to any accrued income that had not been paid to the deceased and is included in box 74.

Exemptions and reliefs, page 10

93

Exemptions and reliefs deducted from the assets in column B

Most exemptions and reliefs apply to particular assets. So the amount of the exemption or relief is limited to the value of the asset after any liabilities have been taken away. Enter here the exemption or relief to be deducted from the assets included in column B of pages 6 and 7.

Some exemptions, for example, Charity Exemption, may apply to the estate as a whole. Where this applies, apportion the relief between the assets concerned, irrespective of how the legacy will be funded, so a proportion of the relief may apply to the assets in column A and the other part to the assets in column B. Do not deduct a transfer of unused nil rate band here, use box 114 instead.

If you are deducting business or Agricultural Relief from an asset, you also need to fill in Schedule IHT413 *Business or partnership interests and assets* or Schedule IHT414 *Agricultural Relief* as appropriate.

Other assets taken into account to calculate the tax, page 10

Include in the boxes on page 10 all the other assets which need to be taken into account in order to calculate the Inheritance Tax.

99 and 100 **Assets held in trust on which the trustees would like to pay the tax now**
The trustees of a trust in which the deceased was entitled to a benefit may choose to pay the tax on that trust at the same time as the tax is paid on the deceased's estate. If that is the case, enter in box 99 or 100 the value of the assets held in the trust on which the tax is being paid now. See page 15 of this guide for more information on trusts.

101 **Nominated assets**
If the deceased, during their lifetime, made a 'nomination' that an asset was to pass to a particular person, enter the value of that asset, after deduction of exemptions, in box 101. The only assets that can be nominated in this way are deposits of up to £5,000 in friendly societies and industrial and provident societies or, before 1 March 1981, National Savings certificates and accounts.

Use the 'Additional information' pages on form IHT400 to give a description of the nominated assets and the name of the person who is to receive the assets and any exemption deducted.

105 **Assets held in trust on which the trustees are not paying the tax now**
If the trustees are going to pay the tax due on the trust separately, enter here the value of the assets in trust. The value of the trust assets have to be added to the total value of the estate in order to work out the total Inheritance Tax due, but the trustees will be sent a separate calculation of the tax due on the trust.

Working out the Inheritance Tax, page 11

If there is no Inheritance Tax to pay, you do not need to fill in boxes 109 to 117 on page 11.

109 **Reduced rate of Inheritance Tax**
Fill in Schedule IHT430 *Reduced rate of Inheritance Tax* if the deceased died on or after 6 April 2012 and at least 10% of the person's net estate is left to a qualifying charity.

You should also fill in Schedule IHT430 if you wish to elect to merge estate components or opt out of paying the reduced rate of Inheritance Tax. The form must be signed by all appropriate persons for each estate component that wish to merge estate components and all appropriate persons of any affected components who wish to opt out of paying the reduced rate.

You must send in form IHT430 within two years of the deceased's death. An election to merge estate components or to opt out of the reduced rate of Inheritance Tax can be withdrawn by notice in writing to HMRC within two years and one month after the deceased's death and must be signed by all the appropriate persons affected.

If you are filling in form IHT400 without the help of a solicitor or other adviser you do not need to work out the tax due yourself, we can do it for you. But you do need to decide if you wish to pay some of the tax by instalments, if there are any assets in the estate shown in column B on pages 6 and 7.

Read the following information about paying Inheritance Tax by instalments and then answer question 110.

Paying Inheritance Tax by instalments

What are payments of Inheritance Tax by instalments?

Inheritance Tax due on certain assets may be paid by 10 annual instalments, that is, one instalment per year for 10 years.

Interest will normally be payable on each instalment.

On what type of assets can I pay by instalments?

You may pay by instalments on unsold:

- land and buildings
- certain shares and securities
- the net value of a business or an interest in a business (after any Business Relief has been deducted)
- timber.

The most common asset on which you may pay the tax by instalments is the deceased's house.

The form IHT400 lists the assets on which tax may **not** be paid by instalments in **column A** on pages 6 and 7 and assets on which tax may be paid by instalments in **column B** on pages 6 and 7.

Do I have to pay by instalments on assets on which instalments are available?

No, you can choose to pay all of the tax on delivery of form IHT400, if you wish.

We will ask you whether or not you wish to pay by instalments at box 110.

Some of the schedules are divided into assets on which tax may **not** be paid by instalments and assets on which tax may be paid by instalments. You will then have copied the figures from the schedules on to the form IHT400 into the correct columns.

On what type of shares can I pay the tax by instalments?

You may pay Inheritance Tax by instalments on shares or securities in a company if:

- they gave the deceased control of the company at the time of the transfer
- they are unlisted, and
 - you can show that the Inheritance Tax on their value could not be paid in one sum without undue hardship, or
 - at least 20% of the tax for which the same person is liable, in the same capacity, is on assets (including the shares in question) that qualify for payment by instalments
- they are unlisted shares and their value is more than £20,000 and the shares represent at least 10% of the nominal value of the company's shares.

These shares are shown in boxes 66 and 67 of the form IHT400, not boxes 62, 63 or 65.

Interest-free instalments

Interest is usually payable on instalments of Inheritance Tax, but there are a few assets which qualify for Interest Relief. They are:

- agricultural property that qualifies for Agricultural Relief
- shares and securities (except in investment companies)
- businesses or interests in businesses
- woodlands, where there is an Inheritance Tax charge on disposal.

Each instalment of Inheritance Tax on these assets is interest-free if it is paid before the due date. If it is paid after the due date, interest will be charged from the due date to the date of payment.

Instalments of tax

- 110** If you do not want to work out the tax yourself, indicate in box 110 the total value of the assets shown in column B on pages 6 and 7 which are unsold and on which you wish to pay the tax by instalments. If there are no assets on which you wish to pay the tax by instalments, enter '0' in box 110 next to the '£' sign. If you are working out the tax yourself you will be asked on form IHT400 *Calculation* on which assets you are paying the tax by instalments.

Simple Inheritance Tax calculation

- 111 to 117** If the estate is straightforward and you want to pay all of the tax now, you may be able to use page 11 to work out the tax. Read the paragraph above box 111 to see if the simple calculation will work for you. If the simple calculation does not work for you, go to the form IHT400 *Calculation* to work out the tax now, then continue with this form from box 118.

Direct Payment Scheme

- 118** There is a Direct Payment Scheme for bank and building society accounts. Under the Direct Payment Scheme participating banks and building societies will release funds from the deceased's accounts direct to HMRC to pay Inheritance Tax. The accounts in question must be in the deceased's sole name, so you cannot use joint accounts for this method of payment. Many banks and building societies are part of this scheme, but you should check with the deceased's bank or building society before going any further.

If you wish to use this scheme you should identify yourself to the banks or building societies to which you expect to give instructions to transfer money and prove that you are an appropriate personal representative. Contact each organisation to find out what their requirements are for you to do this. We recommend that you do this well before you intend to apply for a grant of representation to avoid unnecessary delays later on.

You should fill in Schedule IHT423 *Direct Payment Scheme bank or building society account* for each bank or building society that will be making the transfer of funds. Then you should send Schedule(s) IHT423 to the banks or building societies that will be making the transfers at the same time that you send form IHT400 and Schedule IHT421 *Probate summary* to our Nottingham office.

The banks or building societies will transfer the money to us. They will be able to tell you how long it will normally take them to make the transfer. Once we receive notification of the payment, we will link the payment to your form IHT400 and provided all is in order, we will stamp and issue Schedule IHT421 *Probate summary*.

Declaration, page 12

119 All the people who will be named on the grant as executors or administrators must now carefully read the declarations and warnings on page 12.

Tick the boxes to say which type of grant you are applying for and which schedules you are including.

Provisional estimates

List any values you have included in the form which are provisional. If you have included provisional estimates in form IHT400 or on any of the schedules, it is your responsibility to tell us what the final figures are as soon as you know them.

Signatures

Each person should give their full name and address, sign and date the form in the spaces provided on page 13.

In signing the form, each person confirms that they have read the declaration and warnings and that they agree that the information given in form IHT400, the schedules and any other supporting papers is correct.

Changes to the estate

If the value of any asset or debt changes, you must tell us. When you get in touch give our reference if you can, otherwise tell us the full name and date of death of the deceased. It is only necessary to tell us of changes which affect the tax payable. If the estate is exempt because it passes to the deceased's spouse or civil partner, it is only necessary to tell us about changes which result in Inheritance Tax being payable.

What to do after you have filled in form IHT400

Form IHT421 *Probate summary* — England, Wales and Northern Ireland

If you are applying for a grant in England, Wales or Northern Ireland, fill in Schedule IHT421 *Probate summary*. It tells the Probate Registry what values you have included on form IHT400. The Probate Registry needs this information before it can issue a grant. Fill in Schedule IHT421 after you have filled in and signed form IHT400.

Form C1 *Inventory* — Scotland

If you are applying for a grant of confirmation in Scotland, fill in form C1 *Inventory*. The Sheriff's Court needs the form before it can issue a grant.

When you have filled in and signed all the forms

When you have filled in and signed form IHT400 and filled in any schedules, including Schedule IHT421 or form C1, use the checklist on page 14 of the IHT400 to make sure that you have got all the papers that you need to send to us. Then follow the notes on pages 56 to 62 that apply to you.

When you must send us form IHT400 before doing anything else

There are two situations when form IHT400, all the completed schedules and any other supporting documents must be sent to us before you go any further. These are if:

- you have answered question 6 on page 1 of the form to say that the deceased died domiciled outside the UK, or if the deceased was only treated as domiciled in the UK (if there is any tax to pay and you have calculated the tax yourself, please include your payment as well)
- the grant is needed for land that was settled property before the deceased's death and that remains settled property after the death.

Which office to use

When you have applied for a grant, or if you need to send the forms to us before you can apply for the grant, you should send the papers to our Nottingham office.

Where do I get information about Probate?

Phone the Probate and Inheritance Tax Helpline on **0845 30 20 900** for forms and advice on probate.

What if I want you to work out the tax for me?

There are different procedures to follow depending on whether you are applying for a grant in England and Wales, Northern Ireland, or Scotland. Please follow the steps on the flowchart, on pages 60, 61 or 62, that applies to you.

What happens when I get a grant?

When you have got the grant, it does not mean that you have paid all the Inheritance Tax and interest on the estate. If you sent us the form before the grant, we look at the details you have given and if there are no obvious errors, we will accept the tax that you have shown us is due.

The Inheritance Tax on the estate may change

Once we have returned Schedule IHT421 *Probate summary* or form C1 *Inventory* we will look at form IHT400 in more detail. We may ask you questions to help us understand what you have said on the form and any schedules.

We may discuss the value of any assets in the estate and question whether any debts are properly deducted. We will look carefully at any deduction for exemptions, reliefs and exclusions you have made.

We may also send you statements that show you the tax and interest you must pay, particularly if you have said that you wish to pay some of the tax by instalments.

Provisional estimates

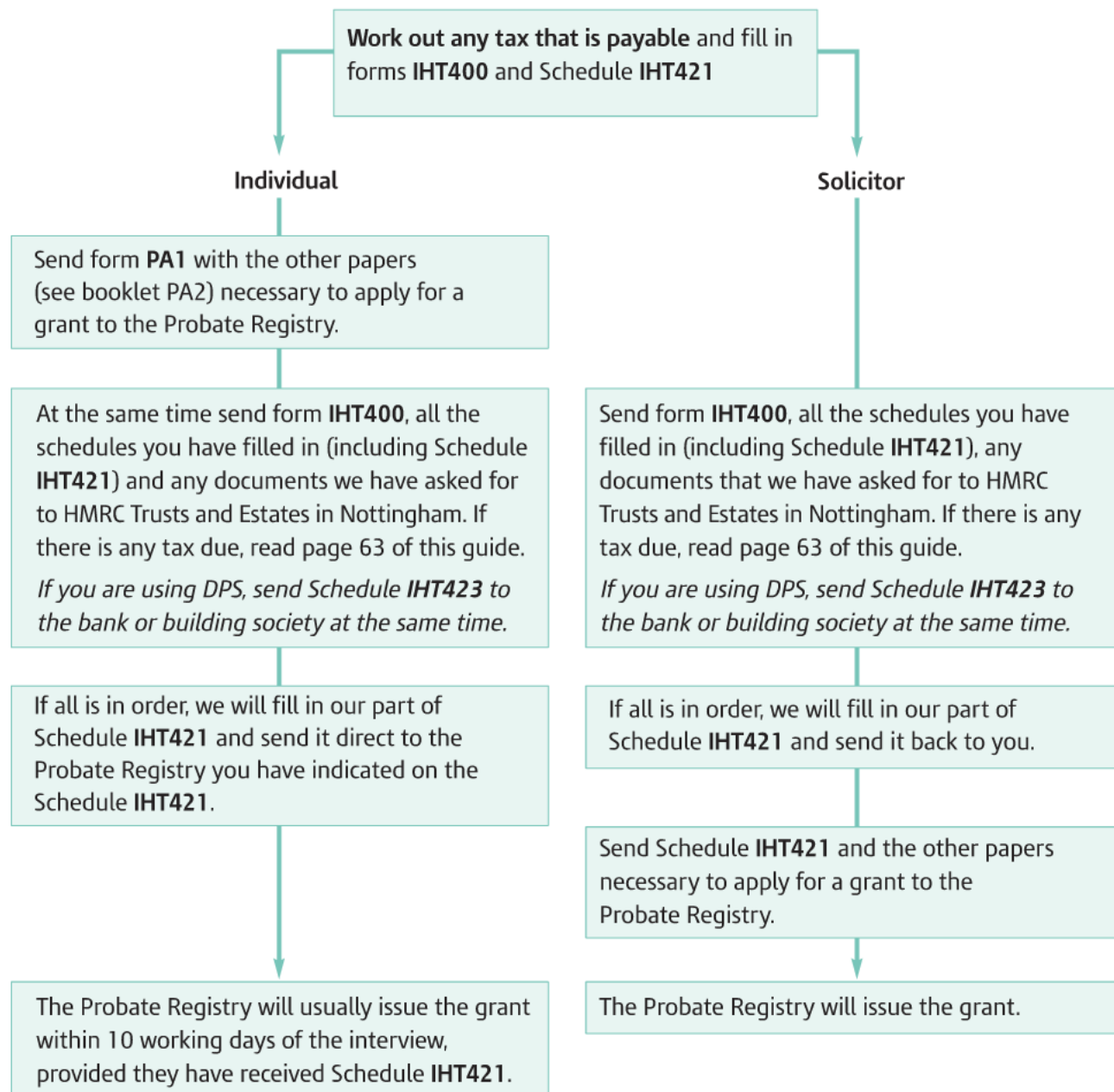
If you have included provisional estimates in form IHT400 or on any of the schedules, it is your responsibility to tell us what the final figures are as soon as you know them.

You must tell us about other changes to the estate

If the value of any assets or debt changes and as a result the amount of Inheritance Tax due changes you must tell us. You can help us by giving us our reference number, if you can. Otherwise tell us the full name and date of death of the deceased.

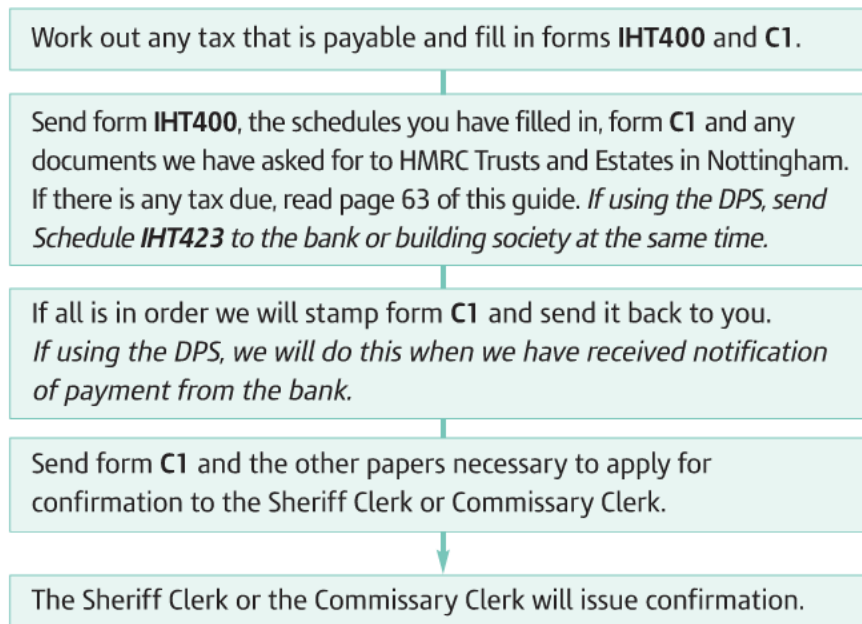
Applying for a grant in England and Wales - if you are a taxpayer or solicitor working out the tax

You will need an Inheritance Tax reference number (see page 10). If you wish to use the IHT Direct Payment Scheme (DPS), find out whether the deceased's bank and/or building society is part of the scheme and if so make sure you have complied with their requirements.



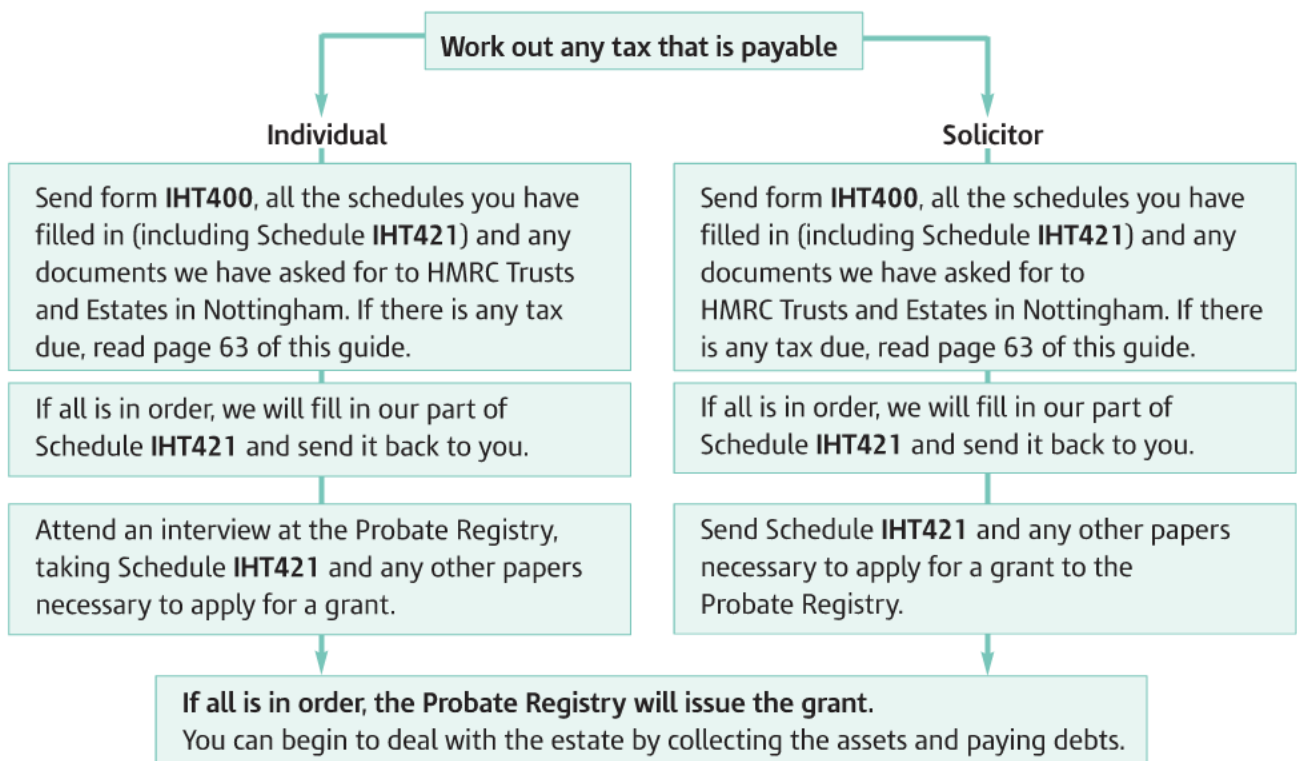
Applying for a grant in Scotland – if you are a taxpayer or solicitor working out the tax

You will need an Inheritance Tax reference number (see page 10). If you wish to use the IHT Direct Payment Scheme (DPS), find out whether the deceased's bank and/or building society is part of the scheme and if so make sure you have complied with their requirements.



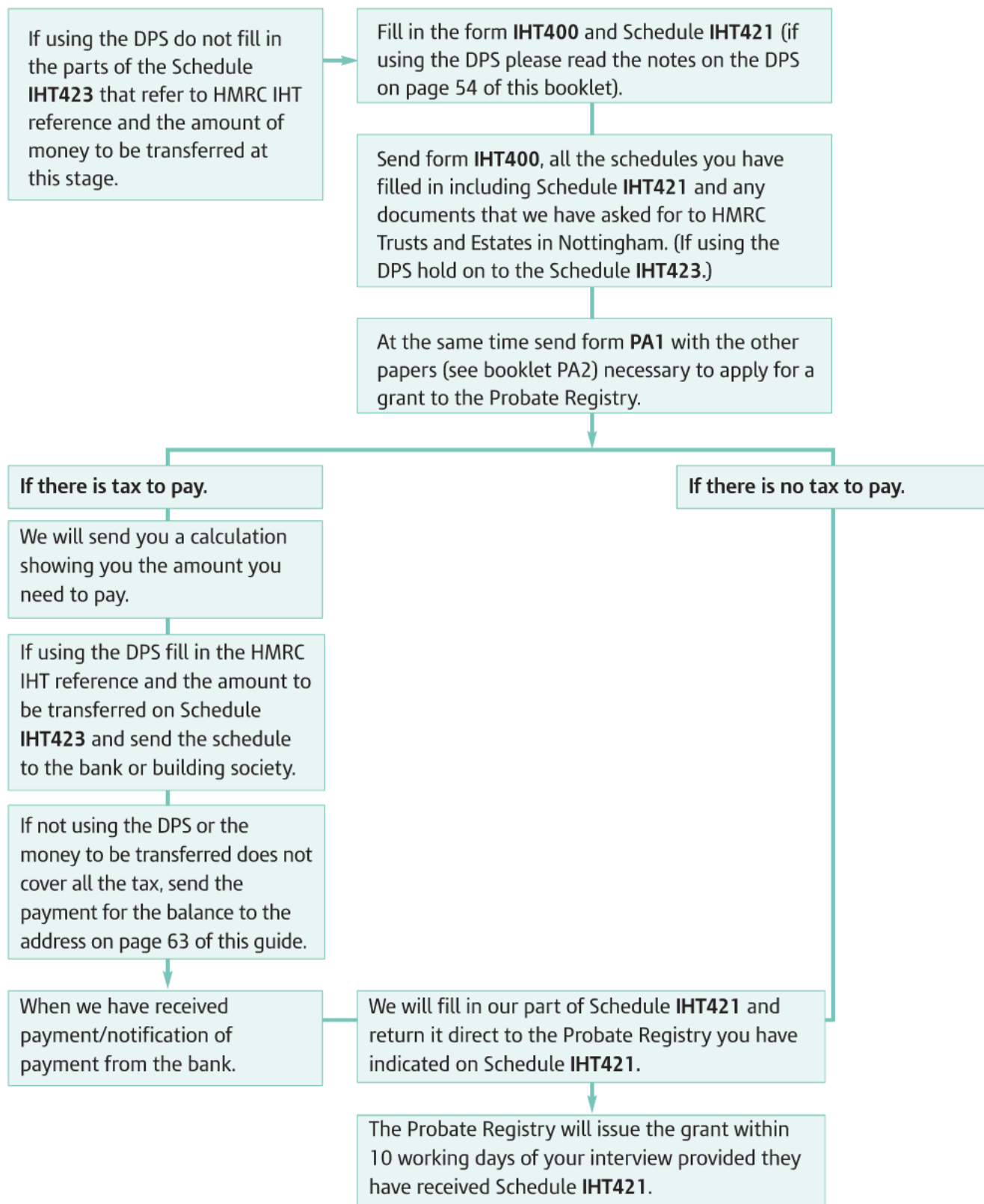
Applying for a grant in Northern Ireland – if you are a taxpayer or solicitor working out the tax

You will need an Inheritance Tax reference number (see page 10). If you wish to use the IHT Direct Payment Scheme (DPS), find out whether the deceased's bank and/or building society is part of the scheme and if so make sure you have complied with their requirements.



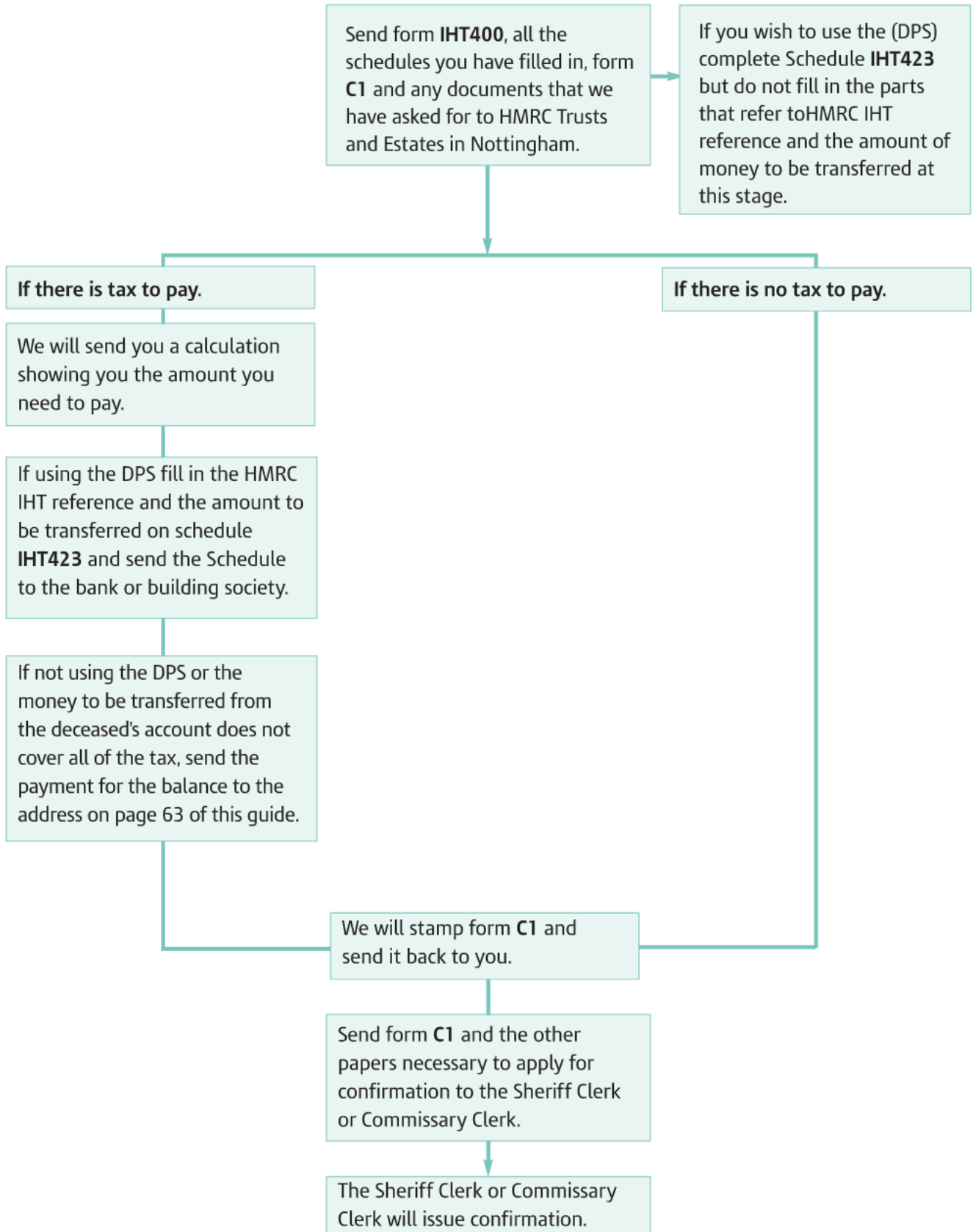
Applying for a grant in England and Wales - without the help of a solicitor and you want us to work out the tax for you

If using the IHT Direct Payment Scheme (DPS) find out whether the deceased's bank and/or building society are part of the scheme and if so make sure you have complied with their requirements.



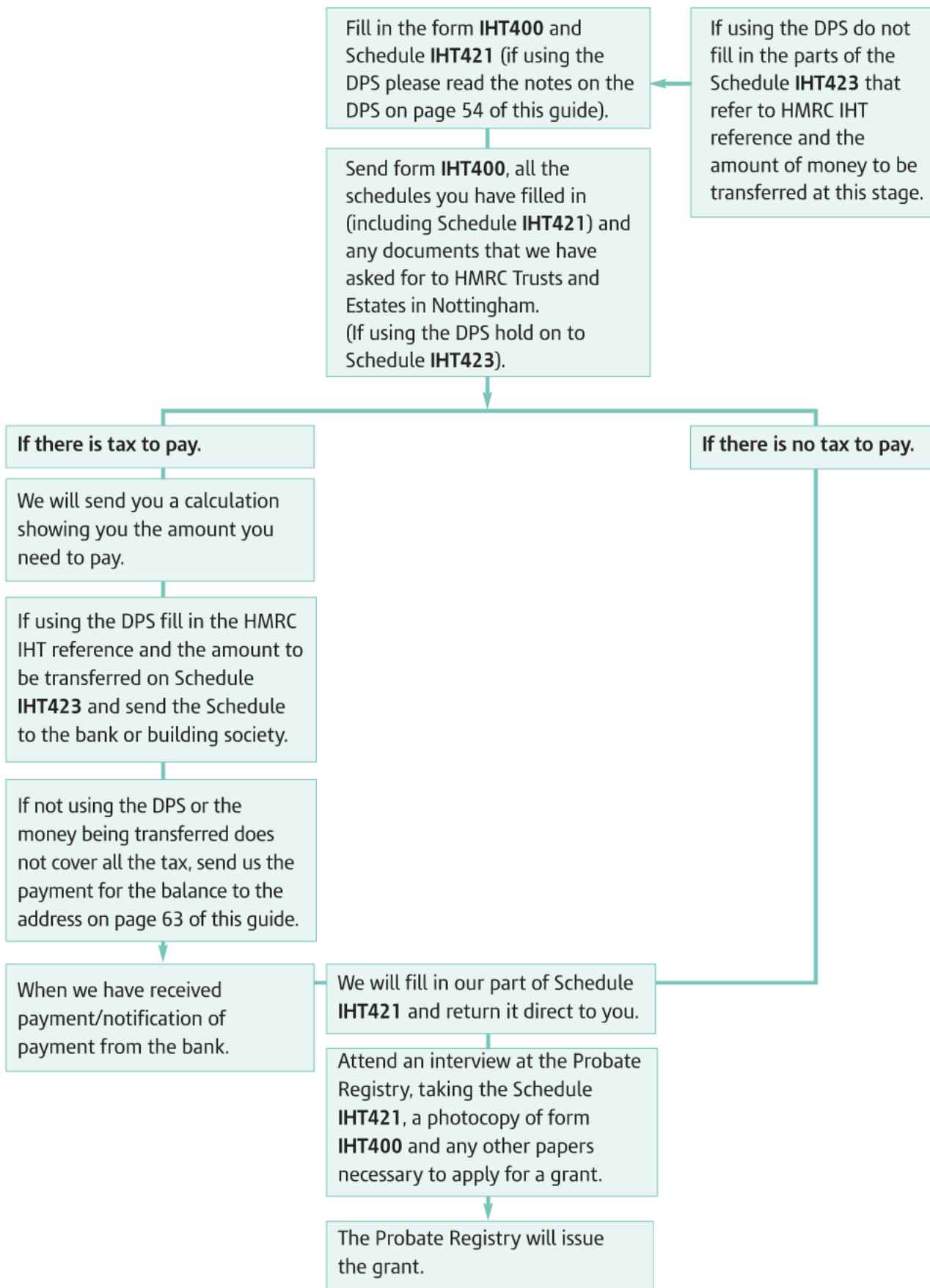
Applying for a grant in Scotland – without the help of a solicitor and you want us to work out the tax for you

If using the IHT Direct Payment Scheme (DPS) find out whether the deceased's bank and/or building society are part of the scheme and if so make sure you have complied with their requirements.



Applying for a grant in Northern Ireland – without the help of a solicitor and you want us to work out the tax for you

If using the IHT Direct Payment Scheme (DPS) find out whether the deceased's bank and/or building society are part of the scheme and if so make sure you have complied with their requirements.



Paying Inheritance Tax

Payment in advance

You can pay the tax that is due either by:

- electronic transfer
- cheque
- Bank Giro credit or
- National Savings & Investments owned by the deceased.

If you think more tax will be payable, you can make a payment on account. If you do we will not charge you interest on the amount you have paid from the date we receive it. You must give the IHT reference when you make a payment. See form IHT400, page 1 for information on IHT reference numbers. If you pay too much on account, we will pay you interest at the current rate when we return the money to you. You can find the current rate of interest at www.hmrc.gov.uk

Electronic transfer (CHAPS/Bacs)

i If you have had this guide for some time, check our website for the most up to date information on paying HMRC at www.hmrc.gov.uk

Contact your bank to find out how to make payment by electronic transfer. You will need to give your bank details of our bank account. This is as follows:

Bank	Sort code	Account number
Citi	08-32-10	12001136

Give the full name of the deceased, the date of death and the IHT reference number.

Payment by cheque

Make your cheque payable to 'HM Revenue & Customs' and:

- put a line through any space left on the pay line
- cross your cheque 'Account payee'
- write the full name of the deceased and the date of death on the back of the cheque.

Place the cheque and payslip in the envelope we have provided and send it to us at the following address:

HM Revenue & Customs
Accounts Office
St Mungo's Road
Cumbernauld
GLASGOW
G70 5WY

If using DX, the DX address is:

HM Revenue & Customs
DX 550100
CUMBERNAULD 2

Do not send the form IHT400 and the schedules in the same envelope as your cheque. They should be sent to our office in Nottingham

Our addresses can be found on page 79 of this guide.

Bank Giro Credit

If you wish to pay by Bank Giro, please take your cheque and payslip to your bank.

National Savings & Investments products

You may pay some or all of the tax and interest that needs to be paid before you can apply for a grant by using National Savings & Investments products owned by the deceased. However, it can take up to four weeks to process a payment. Please see leaflet *Payment of Inheritance Tax from National Savings*, available from the Probate and Inheritance Tax Helpline, for full details on how to make a payment in this way, or go to www.hmrc.gov.uk/payinghmrc/inheritance.htm

Paying tax by transferring assets instead of money

You must pay the tax and interest due in order to get a grant or confirmation. But you can tell us (then or within three months afterwards) that you would like us to accept National Heritage assets in payment of some or all of the tax and interest. If we accept them we will repay all or part of the cash you have paid up to the amount of the tax and interest we agree may be satisfied by our acceptance of these assets.

You may tell us before you apply for a grant or confirmation that you intend to offer assets in payment of tax. But we cannot accept them until after the grant or confirmation is issued.

To make an offer, please include a covering letter with the form IHT400 or write to us within three months after the grant or confirmation is issued. If you are making an offer of an asset in payment of tax you might also wish to claim Conditional Exemption for the asset. See page 40 of this guide for details of how to claim Conditional Exemption.

For further information, please phone the Probate and Inheritance Tax Helpline on **0845 30 20 900** and ask to be put through to the Heritage Team.

What happens if listed shares or land and buildings are sold for less than their value?

If:

- shares listed on the stock exchange are sold within one year of the date of death, or
- land and buildings are sold within four years of the date of death for less than the value included on form IHT400,

we may be able to reduce the Inheritance Tax. Phone our helpline if this applies to you and we will tell you what you have to do.

How to make sure there is no more tax to pay

If you have worked out that there is no tax to pay we will check form IHT400 and, if we agree, we will send you a letter confirming that there is no tax to pay.

If there is some tax to pay on the estate, then when we think that the value of all the assets and debts in the estate is settled and you have paid all the tax and interest, we will send you a letter confirming this.

How to value the assets – for Inheritance Tax (IHT) purposes use the open market value of an asset

What value to use

The open market value is the price the asset might reasonably fetch if it was sold on the open market at the time of the transfer. This 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 or stocks and shares. In other instances, you may need the help of a professional valuer. If you do decide to employ a valuer, make sure you ask them to give you the 'open market value' of the asset.

Estimating a 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 a grant or confirmation just because you do not know the exact figures. You may use an estimated figure.

Do not guess at a value, but try to work out an estimate based on the information you have.

If you are including an estimate, enter details of the estimated values in the declaration on page 12 of form IHT400.

Stocks and shares

How to value stocks and shares

You do not have to get a professional valuation for quoted 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.

First of all, make a list of all the shares, including the name, nominal value and types of shares - for example, 'A N Other Plc 10p ordinary shares'. Then, if you are using a newspaper, find the shareholding and enter 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 1093.5p, the value for the holding is £13,668.75.

Sometimes, for unit trusts, the newspaper may show two prices, take the lower one.

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.

The 'quarter-up' price

If you use a share valuing service, they will tell you what the end of day quotation was for each of the shares. The price will appear as a range such as 1091–1101p. To work out the value of the shares, you need to work out the 'quarter-up' price. This is the lower price, plus one quarter of the difference between the two prices. So, in this example, the price would be 1091p plus one quarter of 10p, or 2.5p. The price for the shares would be 1093.5p.

What 'XD' means

If a dividend was due when the deceased died, the shares will be marked 'XD'. Such a marking indicates that the dividend will be paid to the deceased's estate and you will need to include a value in the estate.

To work out the value of the dividend, multiply the number of shares by the dividend per share. Sometimes the dividend may be given as a percentage, say 2.6%. Where this is the case, you can work out the dividend by finding out the percentage of the nominal value of the stock. So if the deceased had owned £400 of loan stock, the dividend would be 2.6% of £400 or £10.40.

The deceased died on a day the stock exchange was closed

If the deceased died on a day 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. You can choose whether to use the price for Monday or Friday for each separate shareholding.

Shares in a private company that are not listed on the Stock Exchange

For private company shares, enter the open market value of the shares. You may need to contact the company's secretary or accountant to get this value. Do not include just the nominal value of such shares - for example, the nominal value for one thousand £1 ordinary shares is £1,000 - unless that genuinely reflects the open market value of the shares.

UK Government stock

You can find out the value of UK Government stock from your bank or stockbroker or from the UK Debt Management Office website at www.dmo.gov.uk

Stock Exchange markings

The Stock Exchange Daily Official List includes a number of markings that may affect the value of the stocks and shares. Some of the markings increase the value of the shares. Include any increase in the value in box 63 on form IHT400. Some markings decrease the value and you will need to deduct the adjustment from the value you include for the shares. Others show that the deceased was entitled to some new shares at the date of death. Explanations of the markings are as follows.

- **'XD' (ex-dividend)** - the dividend that is due remains payable to the deceased. Include the net value of the dividend on Schedule IHT411.
- **'IK' ('gilts' plus interest)** - the interest that has accrued is part of the value at the date of death. Include the net* interest that has accrued from the date interest was last paid up to date of death on Schedule IHT411.
- **'IM' (fixed interest securities, loan and debenture stock plus interest)** - this is the same as 'IK', but applies to a different type of security. Include the net* interest that has accrued from the date interest was last paid up to date of death on Schedule IHT411.

Carry the total for all dividends to box 64 on form IHT400.

- **'IK ... X' ('gilts' minus interest)** - interest due from the date of death to the date of payment of interest is deducted from the value at the date of death. Take the net* interest that has accrued from the date of death to the date interest was paid away from the value of the stock. If a separate interest payment has been received, include the net amount of the interest payment on Schedule IHT411.
- **'IM ... X' (fixed interest securities, loan and debenture stock minus interest)** - this is the same as 'IK ... X', but applies to a different type of security. Take the net* interest that has accrued from the date of death to the date interest was paid away from the value of the stock. If a separate interest payment has been received, include the net amount of the interest payment on Schedule IHT411.
- **'XC' (ex-capitalisation)** - include the new shares.
- **'XR' (ex-rights)** - account for the value of the new shares or rights.
- **'XE' (ex-entitlement)** - include the new shares or warrants, if any.

If you do not know how many new shares, rights or warrants to include, the company's registrar should be able to tell you. Include the new shares, rights or warrants with the original holding in boxes 63, 65, 66 and 67 on form IHT400.

* *net of Income Tax at basic rate*

National Savings & Investments

Finding the value of National Savings & Investments

- Write to National Savings & Investments and ask for a letter giving:
 - the value of the deceased's investments at the date of death
 - the National Savings & Investments reference.

National Savings & Investments
GLASGOW
G58 1SB

Household and personal goods

You can phone the National Savings general enquiry line on **0500 007 007** (the office is open 7.00am to 12.00am seven days a week) or complete the contact us online form at www.nsandi.com/contact-us

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 goods where individual items have a value of less than £500 or where you can use publicly available data, for example, to value second hand cars.

If you do estimate the value in these circumstances, remember to use the open market value, not an insurance or replacement value. A valuation 'for insurance', although a good place to start, may be the cost to replace the items and not necessarily a realistic price for which the items might be sold. The insurance value is often higher than the price you might reasonably expect to get for an item if you sold it on the open market.

A realistic price is likely to be the value the item might fetch if sold at auction or through the local paper.

For individual items of jewellery, furniture, antiques or collections valued at over £500, you are strongly advised to get a professional valuation. Remember to tell the valuer that you want the open market value of the items at the date of death. Certain awards given to the deceased for gallantry, such as the Victoria Cross, are excluded from Inheritance Tax.

Land and buildings

Valuing land and buildings can be a complicated area and you are strongly advised to use a professional valuer.

Condition of the property

The valuer should provide an open market value at the date of death and you should ask them to take into account 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). For more information please phone our helpline on **0845 30 20 900**.

If there is a range of values for the property

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 I find the property is worth more than my initial valuation

If, after you have got a valuation and before you apply for a grant, you find out about other information that casts doubts on the initial valuation, you must reconsider it. For example, if you have a valuation that shows the property was worth £250,000, but when you try to sell the property you market it at £270,000 and receive some offers at that figure or more, it suggests that the open market value for the property may be more like £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.

Land and buildings apart from the deceased's home

Include the open market value for any other land and buildings that were owned by the deceased, for example:

- farms
- business property, for example, a hotel, shop or factory
- timber and woodlands
- other land and buildings such as lock-up garages, redundant or derelict land, quarries, airfields, and
- other rights that attach to land such as fishing or shooting rights.

It is strongly recommended 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 on Schedule IHT405 *Houses, land, buildings and interests in land*.

Valuing the right to live in the house

It is very common for a married couple or civil partners to own their house jointly. Usually, they own their house as joint tenants and, on the death of the first to die, their share passes automatically to the survivor, so that when the survivor dies the whole property is part of their estate.

If, however, a married couple or civil partners own their house as tenants-in-common, where each owns a distinct share of the property, the first to die can say what is to happen to their share of the property in their Will. The Will might say something along the lines that:

'... while my husband/wife/civil partner remains alive and desires to reside in the property and keeps the same in good repair and insured to its full value with insurers approved by my trustees and pays all rates, outgoings etc. my trustees shall not make any objection to such residence and shall not disturb or restrict it in any way and shall not take any steps to enforce the trust for sale or to realise (sell) any share therein or to obtain any rent or profit from the property ...'

On the survivor's death, the property passes on to someone else, usually a child. So the surviving spouse or civil partner continues to live in the house, owning half of it in their own name and occupying the other half under the protection of the Will.

Although the Will does not talk in terms of leaving the property in trust for the husband/wife/civil partner for life, the wording is such that, for Inheritance Tax, it has the same effect.

If you are dealing with the survivor's estate and they occupied their matrimonial or civil partnership home (or a property that replaced it) under such terms, you will need to treat the survivor's estate as if they were entitled to benefit from a trust.

The same rules about trusts apply. So you need to include an interest in the house as a 'trust' asset and the open market value of the house (or share of the house) is the value of the trust asset.

If, within seven years of their death, the survivor ceases to occupy the property, or the property is sold and not all the proceeds are reinvested in a replacement property, the survivor will be treated as making a transfer of the trust capital in which they ceased to benefit. Include that value as a gift.

Valuing a business

If you are deducting Business Relief at 100% from the value of the deceased's business or interest in a business, there is no need to adjust the value taken from the accounts. Write this value in box 7 of Schedule IHT413 *Business and partnership interests and assets*. Copy this figure to the appropriate box on page 7 of form IHT400.

Remember to deduct the relief using the same figure on form IHT400 at box 93.

If you are not deducting Business Relief at 100% from the value of the deceased's business or interest in a business, you will need to adjust the value taken from the accounts. You will need to adjust the value where the assets are included in the accounts at 'book value' or where the assets are included separately in form IHT400.

Book value

Book value is a company's value as it appears on a balance sheet, equal to total assets and intangible assets such as goodwill, minus liabilities. The value of assets as they appear on a balance sheet will be equal to the cost of the assets less accumulated depreciation. Book value therefore often differs substantially from the open market value.

Open market value

For Inheritance Tax, the open market value of an asset is the price it might reasonably fetch if it was sold on the open market at the time of the transfer of that asset.

Other than land, the assets most commonly included in business accounts at book value are business stock and goodwill. You may be including the land separately in form IHT400. If so, you will need to take that value, or the deceased's share of it, away from the value of the deceased's interest in the business.

If not, you will need to get open market values for land and any other assets included at book value such as stock and goodwill. If the open market value is more than the book value, add the increase in value, or the deceased's share of that increase, to the value of the deceased's interest in the business. If the open market value is less than the book value, deduct the decrease in value, or the deceased's share of that decrease, from the value of the deceased's interest in the business.

Explain how you have arrived at your value for the business or interest in a business in box 9 on Schedule IHT413. If you need more space, please use the 'Additional information' box 25 on form IHT413.

Lloyd's Underwriters

If the deceased was an underwriter at Lloyd's, include a value for the deceased's business as an underwriter as an interest in a business.

Valuing money

You should include as assets of the deceased's estate all kinds of money and debts owed to the deceased at the date of death.

Examples are:

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

What value to use

Include the face value of the loan, after taking off any repayments that have been made.

Exemptions and reliefs – this section gives more detailed information about exemptions and reliefs

Exemptions that only apply to lifetime gifts

Small gifts up to £250 in any tax year to any one person. Such small gifts can be given to any number of different people.

Annual exemption of £3,000 in any one tax year. You can carry forward all or part of the £3,000 exemption that has not been used to the next tax year but no further.

Lifetime gifts that represent normal expenditure out of the transferor's income. These are exempt provided that the transferor's established standard of living is not reduced by the gifts, that the gifts came out of income and not capital and there is an established pattern of giving.

These gifts can include:

- monthly or regular payments to someone, including gifts for Christmas or other festivals, birthdays or other anniversaries
- regular premiums on a life assurance policy.

Fill in pages 2 and 6 of Schedule IHT403 *Gifts and other transfers of value* if you want to deduct this exemption.

Gifts in consideration of marriage or civil partnership up to the following amounts:

- £5,000 if the gift is made by a parent or step-parent of either party to the marriage or civil partnership
- £2,500 if the gift is made by a grandparent of one of the parties
- £1,000 in any other case.

Exemptions that apply to lifetime gifts and transfers on death

Spouse and Civil Partner Exemption

All transfers between legally married spouses and legally registered civil partners are exempt with one exception. If the person making the transfer is domiciled in the UK and the recipient is not, the Spouse or Civil Partner Exemption is limited to £55,000.

There is a special rule if the deceased benefited from a trust set up by the Will or intestacy of a spouse or former spouse who died before 13 November 1974. The value of the trust is not taken into account if:

- Estate Duty was paid or treated as paid on the earlier death on the assets in the trust, and
- the deceased was not able to dispose of the assets.

If the deceased was given the power to say how the assets should be dealt with during their lifetime or on their death, the exemption would not apply. If you are deducting this exemption from the assets in a trust, any apportioned income due in box 75 of form IHT400 is also exempt. But the exemption does not apply to accrued income that had not been paid to the deceased and included in box 75.



Website: www.hmrc.gov.uk/inheritancetax
Helpline: 0845 30 20 900

Qualifying charities

Gifts and bequests to qualifying charities

All lifetime gifts and bequests on death to qualifying charities and registered housing associations are exempt, provided the gift was made to the charity and housing association outright.

Qualifying charities

A qualifying charity is one that meets the following conditions.

- It is a charity established in the European Union or other specified country.
- It meets the definition of a charity under the law of England and Wales.
- It is regulated in the country of establishment, if that is a requirement in that country.
- Its managers are fit and proper persons to be managers of the charity. HMRC assumes that all people appointed by charities are fit and proper persons unless they hold information to show otherwise.

Gifts for national purposes

Outright gifts and bequests to certain national bodies are exempt from Inheritance Tax. Most of these bodies are national and local heritage bodies such as the National Gallery and the National Trust.

National Heritage exemptions

There are a number of exemptions available for gifts of heritage and other historic property. If you are claiming these exemptions, complete Schedule IHT420 *National Heritage assets - conditional exemption and maintenance funds*.

Gifts to political parties

Outright gifts to UK political parties are exempt, provided that at the last general election before the date of the gift the party had at least two members elected to the House of Commons, or had one elected member and the party received at least 150,000 votes.

If you are not sure whether one of these exemptions applies because the money did not pass direct to the organisation or if the Will restricts how the money should be used, phone our helpline and explain the circumstances.

Reliefs that may apply to lifetime gifts and transfers on death

Agricultural Relief and Business Relief may apply to transfers of agricultural or business assets. These reliefs are covered in the sections on Schedule IHT414 *Agricultural relief* and Schedule IHT413 *Business and partnership interests and assets*.

Other reliefs

There are two other exemptions that apply to gifts. These only apply if the total of gifts made during the deceased's lifetime is more than the tax threshold when the deceased died so that there is some tax to pay on the gifts themselves.

Taper Relief

If there is any tax to pay on a gift, the tax is reduced by a sliding scale for gifts made more than three but less than seven years before the death, so long as the total of the gifts made by the deceased exceeds the nil rate band.

The tax must be paid by the person who received the gift so the relief would not normally be relevant in working out the tax that must be paid before you can apply for a grant.

However, if the person who received the gift would like to pay their tax when you apply for a grant, you can send the payments together. You must still follow all the steps on form IHT400 to work out the tax that you must pay on the deceased's estate. The example here helps you to work out the tax that is payable on a lifetime transfer. Please enter the calculations you have made on the 'Additional information' pages of the IHT400 and say how the payment you are sending should be used.

The amount of Taper Relief depends on the length of time by which the deceased survived the transfer. The tax charged is reduced by charging the following percentages of the full rate.

Years between transfer and death	Taper Relief %
Three to four	20%
Four to five	40%
Five to six	60%
Six to seven	80%

Example

C made a gift of £300,000 on 1 February 2002. C died on 20 June 2005. The nil rate band at the date of death was £275,000.

The gift exceeds the nil rate band by £25,000.

Full rate of tax on the gift: $40\% \times £25,000 = £10,000$.

The gift is within three to four years of the death, so Taper Relief at 20% is due. Taper Relief: $£10,000 \times 20\% = £2,000$.

Revised tax charge: $£10,000$ less $£2,000 = £8,000$.

Fall in value relief

If the value of the assets given away has fallen between the date of gift and the date of death, tax may be charged on the lower value at death.

The relief only applies if the value of the gifts exceeds the nil rate band.

There are other rules so phone our helpline if you think this relief may apply. If you wish to deduct this relief, include the date of death value in the 'description of assets' column on Schedule IHT403 *Gifts and other transfers of value*, but do not alter the value at the date of death. We will look at the claim after the grant.

Where to include items in the estate

To help you fill in form IHT400 correctly we have produced this list of assets and debts commonly included in a person's estate, together with the schedule number, box number on form IHT400 where you need to include it, and where any information about completing that box that can be found in this guide.

Item	Schedule(s)	Included in box on IHT400	IHT400 Notes page
Agricultural land	IHT405, IHT414	68	37, 47
Antiques	IHT407	55	26, 45, 68
Bank accounts	IHT406	52	44
Boats	IHT407	55	26, 68
Building society accounts	IHT406	52	44
Business	IHT413	69	34, 47, 70
Business property	IHT405, IHT413	69	34, 47
Business assets	IHT413	69	34, 47
Capital Gains Tax liability	-	82	-
Capital Gains Tax repayment	-	74	48
Caravans	IHT407	55	26, 68
Cars	IHT407	55	26, 68
Cash (coins and notes)	-	53	44
Credit card bills	-	82	-
Debts owed to friends or family	IHT419	82	17, 50
Debts owed to the deceased	IHT416	73	48
Dividends on listed stocks and shares	IHT411	64	31, 46, 67
Dividends on unlisted stocks and shares	IHT412	64	46, 67
Farm business assets	IHT414	69	34, 37, 47, 70
Farms	IHT405, IHT414	68	37, 47
Farmhouses	IHT405, IHT414	68	37, 47
Farmland	IHT405, IHT414	68	37, 47
Foreign bank accounts	IHT417	98	15
Foreign houses, land and buildings	IHT417	97	15
Foreign shares	IHT417	98	15
Furniture	IHT407	55	26, 45, 68
Gifts made by the deceased	IHT403	111	12, 18
Gilts (UK Government securities)	IHT411	62	45, 66
Guarantee debts	IHT419	82	50
House or flat (deceased's residence)	IHT405	51	43, 68
Houses and flats (rented to others)	IHT405	70	47, 68
Household bills	-	82	-
Income Tax liability	-	82	-
Income Tax repayment	-	74	48
Interest in another estate	IHT415	71, 72	48
Interest on bank accounts	IHT406	52	44
Interest on building society accounts	IHT406	52	44
Interest on stocks and shares	IHT411	64	46, 67

	Schedule(s)	Included in box on IHT400	IHT400 notes page
J ewellery	IHT407	55	26, 68
Joint bank and building society accounts	IHT404	50	13, 23
Joint household bills	IHT404	50	13, 23
Joint life assurance policies	IHT404	50	13, 23
Jointly owned houses, flats and land	IHT404	49	13, 23
Jointly owned household goods	IHT404	50	13, 23
Joint mortgage	IHT404	49	13, 23
Joint mortgage protection policy	IHT404	50	24
L and (other than farmland)	IHT405	70	47, 68, 69
Life assurance policies	IHT410	57	14, 45
M ortgage	-	80	49
Mortgage protection policies	-	57	-
N ational Savings & Investment products	IHT406	54	44, 67
Nominated assets	-	101	52
P aintings and works of art	IHT407	55	26, 45, 68
Pension arrears	-	56	45
Pension funds	IHT409	56	13, 27, 45
Premium Bonds	IHT406	54	44
R educed rate of Inheritance Tax	IHT430	109	52
Reversionary interest	IHT418	76	40
S ecured loans	IHT419	80	49
Stocks and shares listed on the Stock Exchange	IHT411	63	14, 31, 46, 65, 66, 67
Stocks and shares traded on AIM	IHT412	65	33
T imber	IHT405	69	47
Trust assets	IHT418	99, 100, 105	15, 39, 52
Trust income	-	75	48
U K Government securities	IHT411	62	45, 66
Unit trusts	IHT411	63	65
Unlisted stocks and shares	IHT412	65	15, 32
Unsecured loans	IHT419	82	-
W oodlands	IHT405, IHT413	69	47

1 How much of this guide did you read?

All of it

Most of it

Some of it

Hardly any of it

2 How easy was it to understand this guide?

I understood it easily

I understood most of it but some of it could be clearer *

It was hard to understand

I did not understand it

* If you ticked this box, please say which parts could be clearer

3 How easy was it to complete form IHT400?

The form was easy to follow and I knew what to do

Most of the form was easy to follow but some parts could be clearer *

It was hard to follow and I was not always sure what I had to do *

I could not complete it without help

* If you ticked either of these boxes, please say which parts could be easier to understand

If you have any other comments about form IHT400, this guide or any of the schedules you had to complete, please enter them over the page.

If you need more space, continue on a separate sheet of paper.

Additional information

 If you need to, please continue on a separate sheet of paper.

Contacts

If you need a copy of any of our forms you can:

- download them from our website www.hmrc.gov.uk/inheritancetax
- contact the Inheritance Tax orderline
 - phone **0845 30 20 900**
 - fax **0845 234 1010**.

If you want to know more about any particular aspect of Inheritance Tax, please go to our website or phone the Probate and Inheritance Tax Helpline.

DX addresses have been included for use by solicitors and banks

Nottingham office

HMRC Trusts and Estates
Ferrers House
PO Box 38
Castle Meadow Road
NOTTINGHAM
NG2 1BB
DX 701201 NOTTINGHAM 4

Edinburgh office

HMRC Trusts and Estates
Meldrum House
15 Drumsheugh Gardens
EDINBURGH
EH3 7UG
DX ED 542001 EDINBURGH 14

Belfast office

HMRC Trusts and Estates
Beaufort House
Wellington Place
BELFAST
BT1 6BH
DX 2001 NR BELFAST 2

Our website and helpline

Website: www.hmrc.gov.uk/inheritancetax
Helpline: **0845 30 20 900**

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. More information about Inheritance Tax can be found on our website at www.hmrc.gov.uk/inheritancetax or, if you do not have access to the Internet, by phoning our helpline.

More information

Your rights and obligations

Your Charter explains what you can expect from us and what we expect from you. For more information go to www.hmrc.gov.uk/charter

If you have a complaint

For information about our complaints procedures go to www.hmrc.gov.uk and look for *Complaints* within the *Search* facility.

How we use your information

Data Protection Act

HM Revenue & 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 & Customs unless the law permits us to do so. For more information go to www.hmrc.gov.uk and look for *Data Protection Act* within the *Search* facility.

Confidentiality

You have a right to the same high degree of confidentiality that all taxpayers 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 taxpayer's affairs with that person, or with someone else that the taxpayer 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 IHT400, that is the executors or administrators, or another person appointed to act for them, usually a solicitor or an accountant.

These notes are for guidance only and reflect the position at the time of writing. They do not affect any right of appeal. Any subsequent amendments to these notes can be found at www.hmrc.gov.uk

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