

NewsLetter

For Trusts & Estates Practitioners

Trusts Returns

Online Automation

For some time HMRC has been well aware that the system for processing internet filed SA Trust returns has needed to change in order to streamline the process, bring that more into line with systems used for individual's internet filed returns, and most importantly improve the experience of customers. HMRC is therefore pleased to announce that from 1 July 2010 internet-filed returns have been processed using a new automated system, which is able to deal with all internet filed returns in 2009-2010 and subsequent years. The new system will bring a number of improvements that will be noticeable to customers. The new automated system will:

- lead to improvements in accuracy when processing returns by removing the need for manual intervention in most cases;
- provide an increased level of customer service by ensuring the revised procedure processes the vast majority of internet filed returns quickly and efficiently; and
- reduce the time taken to handle repayments and to deal with follow up work resulting from processing the return.

Because of these improvements HMRC very much hopes that more people will choose to file their Trust returns on line in the future.

If you have any queries regarding the Trusts automated filing system, please contact:

- Gareth Hiron Tel: 0115 974 0919
- Rebecca Kearney Tel: 0115 974 2380
- Yvonne McKean Tel: 0131 777 4269

Edinburgh Office

Restructuring of Inheritance Tax Offices

On 2 August it was announced on the HMRC website that from that date HMRC Inheritance Tax Edinburgh became a specialist Inheritance Tax compliance office within HMRC Trusts & Estates. All new forms C1 *Inventory* and IHT400 *Inheritance Tax account* should now be sent to the office in Nottingham at the following address:

HMRC Trusts & Estates
Inheritance Tax
Ferrers House
PO Box 38
Castle Meadow Road
Nottingham
NG2 1BB

DX701201
Nottingham 4

Sending the forms to the correct address will help to ensure that the stamped C1 can be returned quickly. If there are any queries to raise after the grant has been issued you will be contacted by the Inheritance Tax office in Belfast, Edinburgh or Nottingham that is dealing with your case.

Welcome

Welcome to the August 2010 edition of the HMRC Newsletter for Trusts & Estates Practitioners. Included this month are articles on the amended versions of Inheritance Tax forms, online automation of Trusts returns and an article from our colleagues in HM Courts Service.

For some time now the HMRC Trusts and HMRC Inheritance Tax offices have been developing closer working arrangements and now both offices have combined under one management structure. It has therefore been decided that both organisations should come under the new name of HMRC Trusts & Estates and you may see this name used in future correspondence. The changes are mainly to do with internal organisation and you should notice little difference in your dealings with us. Any future changes we do make will be advertised in this newsletter and on our website.

If there are any subjects you would like addressed in a future edition of this newsletter, please email the [Customer Service Team](#).

David Smith
Head of HMRC Trusts & Estates

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Inheritance Tax Toolkit

IHT 400

The trial of the first Inheritance Tax Toolkit has now ended. HMRC would like to thank all the agents who volunteered for the trial, took the time to talk to the Inheritance Tax staff, and returned the feedback sheet. The vast majority of respondents have been very positive and encouraging about the toolkit. All replies provided valuable comments and information which will help to build the next version. As soon as revisions have been made to the toolkit, an amended version will be published on the HMRC website along side the other existing toolkits. HMRC hope this will be available from September.

The toolkit is not intended to be a box by box guide to completing the form IHT400 and will not replace the "Guidance for Completion" or any other information on the website. It focuses on the most common errors, mistakes and omissions we see made on the form IHT 400 submitted to us. It provides an explanation of the risk around the errors and the implications these have for you and your clients. It also states what actions you can take to mitigate these errors and mistakes prior to submission. It does not cover the more uncommon aspects of Inheritance Tax such as Agricultural Relief, Business Relief, and Heritage.

How to speed up the processing of your form IHT400

A recent sample survey found that 84% of all forms IHT400 sent in by agents have errors or omissions.

Please check all the information is enclosed. Ensure every schedule is fully completed, all documentation evidencing values and claims is photocopied clearly, and everything is there, before you seal the envelope.

By doing this the process leading to the closure of the file will be much quicker.

National Heritage Property

Acceptance in lieu of Inheritance Tax and Estate Duty

Anyone liable to pay Inheritance Tax may offer national heritage property in satisfaction of their liability – under sections 230 and 231 Inheritance Tax Act 1984. (There are similar provisions for Estate Duty). The categories of property concerned include works of art and other objects.

First, this is a reminder that, as the objective is to settle a tax liability, the offer must be made to HMRC Trusts & Estates Inheritance Tax. The Heritage Team will then ascertain the viability of the offer, including the fiscal liability. The Team will then seek advice from the Museums Libraries and Archives Council.

Some practitioners, and separate advisers from the art world, also helpfully provide particulars for the Museums Libraries and Archives Council. But we have also known cases where, while providing material for the Museums Libraries and Archives Council, an adviser has omitted to notify the client's offer to HMRC.

The Museums Libraries and Archives Council practice is often, in the interest of avoiding unnecessary delay, to evaluate the property offered without necessarily waiting for HMRC to seek their advice. However, until HMRC have approved the viability of the offer, any work undertaken – by the Museums Libraries and Archives Council and the offeror – might be wasted, or at least subject to review.

Please bear this in mind and ensure that HMRC have particulars of the offer in good time to secure a co-ordinated operation without the risk of unnecessary work.

The Heritage Team are happy to help in any cases of uncertainty or difficulty. Please contact Simon Kirsop by phone on 0115 974 2632 [or by email](#) or Mick Downs by phone on 0115 974 2482 [or by email](#).

(Note: On 26 July the Government announced its intention to abolish the Museums Libraries and Archives Council (MLA). HMRC will be working with the Department for Culture Media and Sport to ensure that relevant input currently provided by MLA continues to be available to HMRC in

relation to the Inheritance Tax, Estate Duty and Capital Gains Tax schemes for national heritage objects. An update will be provided through this Newsletter in due course. In the meantime please continue to submit accounts and claims to HMRC in line with the current arrangements.)

Secondly, HMRC has learned that the form IHT420 *National Heritage Assets* and the associated notes have caused some confusion. The form and notes will be reviewed with a view to publishing suitable amendments in the autumn. If any practitioners would like to add to this review by commenting on the form IHT420 and associated notes, please [email Mick Downs](#).

New and updated forms for trusts

New and updated versions of the following forms have recently been published:

Form R185 (Settlor) - Statement of trust income chargeable on settlor

This is a new form which trustees may use to advise the settlor of income arising to a trust in which the settlor retains an interest.

Form R185 (Trust Income) - Statement of Income from trusts

Section 7 for foreign income now shows more clearly which figures have to be transferred to SA106 Foreign pages. A new box also asks for the amount of foreign dividends that do not qualify for the UK tax credit.

Form R185 (Estate Income) - Statement of Income from Estates

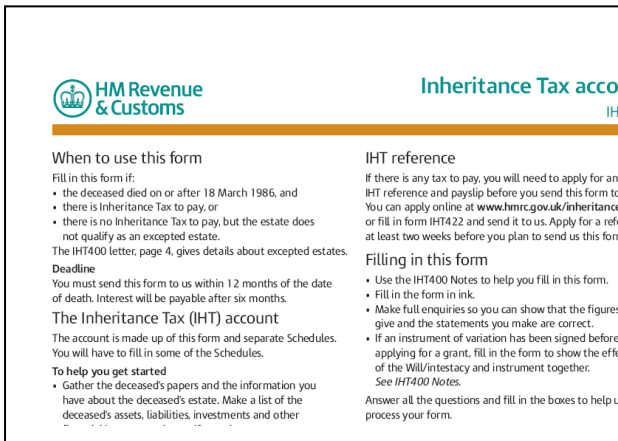
Minor changes have been made to the wording to make this form easier to understand. The boxes haven't changed.

The forms are all available to download from the HMRC website.

[Form R185 \(Settlor\) - Statement of trust income chargeable on settlor](#)

[Form R185 \(Trust Income\) - Statement of Income from trusts](#)

[Form R185 \(Estate Income\) - Statement of Income from Estates](#)



Professional valuations

IHT400 notes

HMRC has recently amended the guidance on how to value land and buildings [IHT400 Notes - guide to completing your Inheritance Tax account](#)

The new guidance says:

'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).

If I find the property is worth more than my initial valuation

If, having obtained 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.'

Inheritance Tax forms

Amended versions of Inheritance tax forms and guidance notes have been published on the HMRC website on the 'find a form' pages.

The following table lists the forms and notes that have been amended and gives the version date. These are the only versions of these forms that you should use.

Form	Version
IHT400	04/10
IHT400 notes	April 2010
IHT403	04/10
IHT404	04/10
IHT408	04/10
IHT409	04/10
IHT417	04/10
IHT418	04/10
IHT421	02/10
IHT205(2006)	04/10
IHT206(2006)	June 2010
C5(2006)	04/10
C3(2006)	June 2010
IHT100	04/10
D39	04/10

[Link to 'find a form' on the HMRC website](#)

In these circumstances, HMRC recommends that you ask the valuer to reconsider and, if appropriate, amend the date of death value, taking into account such things as the length of time since the death and movements in the property market.

HMRC hopes that this will make it clearer to both practitioners and personal applicants that it is important to instruct a properly qualified person on the correct basis and to reconsider the initial valuation if any offers received suggest the property may be worth more. Valuing the property in this way will help prevent the risk of substantial undervaluation and HMRC charging penalties as a result.



Wine valuation

It has been brought to HMRC's attention that information in the public domain indicates that for Inheritance Tax purposes wine cellars are valued at the purchase price rather than the value at the date of death. This is incorrect.

Section 160 IHTA1984 states that for Inheritance Tax purposes the value of any property is the price it might reasonably be expected to fetch if sold in the open market at that time.

Therefore it is clear that a wine cellar must be valued at its open market value for Inheritance Tax purposes at the time of the relevant occasion of charge.

Dedicated line for Trusts Agents

A new dedicated line for Trusts agents was launched in Truro on 19 July. The helpline is open Monday to Friday, 9am to 5pm and can be reached via the existing number for the Trusts & Deceased Estates helpline **0845 604 6455**.

There have been no changes to the Probate and Inheritance Tax helpline which can be reached on **0845 30 20 900** Monday to Friday, 9am to 5pm.

What's in a name?

One of the most common reasons for probate registry staff stopping a solicitor's case is because of a query regarding the name of the deceased. This is a basic but extremely important piece of information and therefore vital that it is right. If a name is omitted or incorrectly spelt it could mean that a caveat or standing search is missed when HM Courts Service searches their database resulting in problems for all concerned.

The good news is that it can easily be avoided by adding a simple footnote clause to all your oaths and completing it as appropriate. This will have the following benefits:

- fewer delays for your client
- less paperwork for you and HM Courts Service
- your grant will be issued more quickly
- a win/win situation for everyone!

Here is the suggested clause:

"That the true name of the deceased was
and that his/her death was registered in the name....." and that:
(delete/complete as applicable)

- a) all his/her assets were held in his/her true name or
- b) he/she held(specify 1 asset for each alias name required) in the name of
- c) he/she made his/her will in the name of(if applicable)
- d) he/she had no alias names

If the deceased has changed his/her name by deed poll please file a copy with your application.

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