

# Notes to help you fill in form IHT205

We recommend that you take time to read these notes as they will help you to fill in form IHT205 correctly. You may make yourself liable to financial penalties if the information you give in the form is wrong because of your negligence.

This guide is designed to help you fill in form IHT205. It cannot explain everything about inheritance tax.

If you have any questions about inheritance tax and probate that this guide does not answer, or if you need any help to fill in form IHT205, you should visit our website at [www.hmrc.gov.uk/cto](http://www.hmrc.gov.uk/cto) or telephone our helpline on

**0845 30 20 900**

Our notes and forms, including IHT205, are also available on the Internet or from our helpline.

If you need to write to us, our addresses (including DX addresses for solicitors and banks etc) are

Nottingham  
HM Revenue & Customs, Capital Taxes  
Ferrers House  
PO Box 38  
Castle Meadow Road  
NOTTINGHAM  
NG2 1BB  
  
DX701201 NOTTINGHAM 4

Belfast  
HM Revenue & Customs, Capital Taxes  
Level 3  
Dorchester House  
52-58 Great Victoria Street  
BELFAST  
BT2 7QL  
  
DX2001 NR BELFAST 2

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

- applications in England & Wales, to your District Probate Registry (see booklet PA2)
- applications in Northern Ireland, to either the Probate and Matrimonial Office in Belfast or the District Probate Registry in Londonderry (see booklet "Dealing with a deceased person's estate").

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## Some definitions

In this guide, we refer to the person who has died as "the deceased".

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

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

## Introduction

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

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

Before you can get a grant, you need to pay any inheritance tax that is due, or be able to show that no inheritance tax is payable. For most estates there is no tax to pay and you will only need to fill in form IHT205 to give brief details of the estate. If there is tax to pay, or if the affairs of the deceased do not meet certain conditions, you will have to provide a formal account of the estate by filling in form IHT400 and sending it to us. You should start with form IHT205. It will guide you through the various conditions that apply and help you to decide whether or not you need to fill in a formal account.

Where do I start?

For many people, this will be only the first or second time that they have had to deal with probate and inheritance tax. In most estates, matters are very straightforward and form IHT205, together with these notes, will help you to get things right. But before we start, here are some answers to the questions that are most often asked of our helpline.

## Frequently asked questions

Am I using the right form?

You can use form IHT205 provided that

- the deceased had their permanent home here and there is no tax to pay because either
  - the gross value of their estate is less than the excepted estate limit, **or**
  - the gross value of their estate is less than £1,000,000 **and** all or part of the estate passes to
    - the deceased's spouse or civil partner, or
    - a charity or other qualifying body.

You may find that as you go through the form that some other conditions mean that you must stop and fill in a formal account instead. But provided these initial conditions are met, you can start with form IHT205.

What do you mean by 'gross value'?

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

What do you mean by 'estate'?

For inheritance tax, a person's estate is made up of

- assets in sole name of the deceased,
- their share of any jointly owned assets,
- the assets in a trust in which the deceased had the right to benefit,
- any 'nominated' assets, and
- any assets they have given away, but kept an interest in.

The total of all these assets is added to the chargeable value of any gifts made within seven years of the death to work out the amount on which tax is charged. The notes in the following pages tell you more about these different types of assets and when gifts may be liable to inheritance tax.

What is the 'excepted estate limit'?

The excepted estate limit is normally the same as the amount above which inheritance tax is payable (the IHT threshold). The one exception to this rule is that it is the IHT threshold for the *previous* tax year that applies where

- the death occurred after 5 April and before 6 August in any one year, **and**
- you apply for a grant before 6 August.

For example, the IHT threshold is

- £255,000 for tax year 2003/04, and
- £263,000 for tax year 2004/05.

So, if the deceased died on 21 April 2004 and you apply for grant before 6 August 2004, the excepted estate limit is £255,000. But if you apply for a grant on or after 6 August, you can use the higher limit for 2004/05 of £263,000.

You can find out what the IHT threshold is by looking on the Internet or telephoning our helpline.

What do you mean by 'permanent home'?

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

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

What do you mean by 'charity or other qualifying body'?

By charity, we mean any organisation or body that is registered in the United Kingdom as a charity. All such organisations will have a registered charity number. Not all organisations that are treated as charitable for tax purposes have a registered number. Other qualifying bodies include some schools, churches and other national organisations such as the National Trust and National Gallery. You should read Annex 1 to these notes if you need to find out about the organisations that qualify as charities for tax purposes.

Why does it matter whether the estate passes to the spouse or civil partner or to charity?

Broadly, assets that pass to the deceased's spouse or civil partner or to a charity are exempt from inheritance tax. So, if most of the assets pass to the deceased's spouse, or civil partner, or to a charity, it is likely that there will be no tax to pay. If there is no tax pay because of these exemptions, and the estate meets the other conditions that apply, mainly that the gross value does not exceed £1,000,000, you will not have to fill in a formal account. **But there are some restrictions to these exemptions.**

Assets which pass to the spouse or civil partner

Where assets pass to the deceased's spouse or civil partner, **both** the deceased **and** their spouse or civil partner must have been

- born in the United Kingdom, and
- had their permanent home in the United Kingdom throughout their lives.

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

**Both the deceased and their spouse or civil partner must meet these conditions. If either of them does not *and* the gross estate is likely to be more than the excepted estate limit, do not fill in form IHT205 - you will need to fill in form IHT400.**

Assets which pass to a charity

Where assets pass to an organisation that you think might qualify as a charity, check Annex 1 to these notes to make sure that the organisation does qualify. The legacy must pass directly and unconditionally to the organisation. It must not pass into a trust for the benefit of the organisation concerned.

**If an organisation benefiting under the Will does not meet these conditions, you must not deduct charity exemption for the legacy it receives when filling in form IHT205.**

## Jointly owned assets

What about assets owned jointly with other people?

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

Where assets are owned jointly by two or more people, the way in which those assets are owned makes a difference for inheritance tax and probate.

If the deceased

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

we call the asset a **'joint asset'**. You should work out the value of the deceased's share in a joint asset by dividing the value of the whole asset by the number of joint owners and include that value in box 12.3.

If the deceased

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

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

You should describe each asset held as tenants-in-common, give the value of the whole of it, and for the deceased's share in box 14.

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

So if the asset was a bank account, you should include it in box 11.1; if it was the deceased's house, include it in box 11.8 and so on. If the asset was not in the United Kingdom, include it in box 12.5.

## What you should do first

So what do I do now?

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

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

are liable to inheritance tax and must be included.

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

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

You will need to make quite detailed enquiries so that you can find out about everything that makes up the deceased's 'estate'. It is very important that you provide full and accurate information because you may make yourself liable to a financial penalty if you provide information incorrectly due to your negligence or fraud.

When you have completed your rough list of assets etc, you will need to find out the value of each of the assets concerned. It is important that you value the assets correctly, because you may make yourself liable to a financial penalty if you are negligent in arriving at the value.

What do I do when I have got the assets and the values sorted out?

When you have got a good idea about the assets that make up the estate, and their values, add up the figures. If the gross value of all the assets, when added to the chargeable value of any gifts the deceased made, is less than £1,000,000, you may continue to fill in form IHT205.

**But, if the gross value**

- **is more than £1,000,000, or**
- **is more than the excepted estate limit and no assets pass to the deceased's spouse or civil partner or to a charity**

**do not fill in any more of form IHT205 - you will need to fill in form IHT400.**

## Valuing assets

How do I value all the assets?

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

You should be able to value some of the estate assets quite easily, for example money in bank accounts, stocks and shares. In other instances, 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.

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

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

Valuing assets owned jointly

It does not matter whether the assets are owned as joint assets, or as tenants-in-common, the starting point in valuing of the deceased's share is their share of the whole value. So, if three people contributed equally to a bank account with

£900 in it and it was held as a joint asset, the deceased's share will be £300. But there are some special rules about valuing other types of asset.

Valuing a share in land

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

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

Valuing joint insurance policies

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

Valuing joint bank accounts

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

If an account is in joint names for convenience and the deceased provided all the money in account, you should treat the account as if it was in the deceased's sole name. Include the full balance of the account in box 12.3 (for joint assets) or 11.1 (if the account was held as tenants-in-common). But the opposite also applies, and if the deceased did not provide any of the money in the account then, so long as the provider did not intend to make a gift, there is no need to include anything about the joint account on form IHT205.

## Estimating values and small estates

What do I do if I cannot get an accurate value?

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

You should not guess at a value, but try to work out an estimate based on the information available to you. If you do include an estimate, tick the box alongside the figure concerned.

Do I still have to get accurate values when the estate is very small?

No, you do not.

If the gross value of the estate is likely to be below £200,000, you can estimate the value of the assets. You should not guess at a value, but try to work out an estimate based on the information available to you. There is no need to tick the boxes to show the figures are estimates in such estates.



# Filling in form IHT205

## Page 1

### About the person who has died

#### Part 1

Fill in part 1 of form IHT205 giving the name, date of death and other information that we ask for about the deceased.

For marital or civil partnership status, please select the appropriate code and enter it in the box provided.

Say what the deceased's occupation was and whether or not they were retired.

You should be able to find the deceased's National Insurance number on letters from HMRC. If the deceased was in receipt of benefits paid directly into their bank account their National Insurance number will appear in the bank statement.

Tick boxes 1.8 - 1.10 to show which relatives survived the deceased, but write the **number** of children and grandchildren in boxes 1.11 and 1.12.

### About the estate

#### Question 2

#### Gifts and transfers

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

A gift or transfer will be relevant for inheritance tax if, having made the gift or transfer, the value of the deceased's estate has gone down. So this will include straightforward cash gifts or a gift of a particular asset. Other transactions such as the sale of a house for less than its full market value, or a gift of shares that results in the deceased losing control of a company will also be relevant. If you are not sure what the effect of a transaction is for inheritance tax purposes, please call our helpline and ask their advice.

#### Question 2(a)

You can answer 'No' to this question if the only gifts the deceased made did not exceed £3,000 each year. You can ignore normal birthday or festive gifts or gifts in consideration of marriage or civil partnership.

If the deceased did make gifts (or other transfers) that exceeded £3,000 in any one year, you can take away certain exemptions from the gifts. Annex 2 to these notes tells you more about these exemptions. These are the only exemptions that you can take away to find out whether the estate qualifies as an excepted estate.

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

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

#### Question 2(b)

We explain what a trust is for inheritance tax in the notes for question 4.

If you answer question 2(b) 'Yes', the deceased is treated as if they had made a transfer or gift of the trust assets in which their right to benefit ceased. This means that the trust assets must conform to the rules that apply to gifts and

should be added to any other gifts or transfers that the deceased had made themselves.

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

- cash, or
- quoted stocks and shares, or
- household and personal goods, or
- land and buildings, **and**

the total value of the gifts *at the time the gifts were made*, after taking away any exemptions that are due, must be less than £100,000.

You should include the value of all the gifts and transfers in box 12.1. If the transfer was because the deceased gave up their right to benefit from a trust, write the name of the person who set up the trust and the date it was set up in box 14.

Gift of land and buildings

A gift of land and buildings only qualifies as a 'specified transfer' if it was an outright gift between individuals. If the gift of land and buildings was to a trust, or the deceased kept back any kind of benefit from the property or was entitled to use the property, **stop filling in form IHT205 now - you will need to fill in form IHT400.**

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

**Or, if the value of all the gifts and transfers in box 12.1, after deducting the exemptions, is more than £100,000, stop filling in form IHT205 now - you will need to fill in form IHT400.**

**However, if the value is more than £100,000 *only* because the deceased made gifts that would be exempt under one of the "Other exemptions" listed in Annex 2, you can continue to fill in form IHT205 and write a value greater than £100,000 in box 12.1. There are some examples in Annex 2 that explain this rule.**

Gifts made more than 7 years before the death

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

- the deceased kept back some benefit or interest in the assets given away or was entitled to use the assets given away (when you should answer question 3 'Yes'), or
- the deceased had made a gift or transfer *within 7 years* of death and *within 7 years of that gift* the deceased had transferred assets to a discretionary trust or to a company.

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

### Question 3

#### Gifts with reservation of benefit

If the deceased has made a gift where they have either

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

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

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

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

**If you answer either part of question 3 'Yes', stop filling in form IHT205 now - you will need to fill in form IHT400.**

### Question 4

#### Assets held in trust

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

Examples of when a person will benefit from assets held in a trust are where they do not own the assets but they have the right to

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

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

If the deceased did not own their home and was not a tenant either, they may have been living there under this sort of arrangement. If so, you may need to include the value of the deceased's home on form IHT205. You should read Annex 3 to find out when this might apply.

If you answer 'Yes' to question 4 the deceased must have had

- the right to benefit from a single trust only, and
- the gross value of the assets in the trust must be less than £100,000.

Provided the trust meets these conditions, you should include the gross value of the trust assets in box 12.2 and any debts payable by the trustees in box 13.4. If the trustees only give you one figure that is after deduction of any debts, include this figure in box 12.2.

**If the deceased had the right to benefit from more than one trust, or the value of the assets in a single trust was more than £100,000, stop filling in form IHT205 now - you will need to fill in form IHT400.**

Foreign trusts

In deciding how to answer question 4, it does not matter whether the trustees are resident in the UK or abroad; you must take into account all the trusts in which the deceased had a right to benefit.

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

If all the assets in a trust pass to the spouse or civil partner or to a charity (either on death or when the deceased's right to benefit ceased before death), the £100,000 limit does not apply to the trust assets. You should include the trust assets and debts on the form and deduct the appropriate exemption in box H on page 4.

Question 5

Inheritance tax is charged on the worldwide assets of someone who has their permanent home in the United Kingdom so it includes any overseas assets that they owned. You should include the sterling value of any overseas assets in box 12.5.

Foreign assets

The Isle of Man and the Channel Islands are not part of the United Kingdom. **If the answer to question 5 is 'Yes', and the gross value of the overseas assets is more than £75,000, stop filling in form IHT205 now - you will need to fill in form IHT400.**

The £75,000 limit applies to the estate as a whole, so to be sure that the limit of £75,000 is not exceeded, you will need to add together

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

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

Question 6

Insurance premiums

If the deceased was paying insurance premiums on a policy that will pay out to someone else, you may need to take the premiums paid into account as gifts. You can answer 'No' to this question if the policy was for the benefit of the deceased's spouse or civil partner. If you answer 'Yes' to this question, you must also answer question 9.

Question 7

Transfer of pension entitlement

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

You can answer this question 'No' where the deceased was drawing their retirement pension in full. If you answer 'Yes' to this question, you must also answer question 10.

Question 8(a)

Pension entitlement paid to the estate

If the deceased was receiving a pension from a pension scheme or pension policy, the payments may have been guaranteed for a certain period of time. If the guarantee period ends after the death, the payments will continue to be made to the estate, and the right to receive those payments is an asset of the estate. If this applies in your estate, answer question 8(a) 'Yes' and include the value of the right to receive the payments in box 11.11

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

You should ignore any pension that continues to be paid *directly* to the deceased's surviving spouse or civil partner.

Question 8(b)

If the deceased died before retirement, or before drawing their pension entitlement, a lump sum may be paid. You should read Annex 4 to find out when a lump sum may be part of the estate.

If a lump sum has been paid, answer question 8(b) 'Yes'. If you decide that it is not part of the estate, give the name of the pension scheme and say why you do not think it is part of the estate in box 14.

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

Question 9

**Only answer this question if your answer to question 6 was 'Yes'.**

Insurance premiums

Where the deceased was paying premiums on an insurance policy for the benefit of someone else, you can answer 'No' to question 9(a) if

- the insurance policy is **not** held in trust, **and**
- the premiums paid each year are covered by the exemption for regular gifts out of income (see annex 2), **and**
- the answer to question 9(b) is 'No'.

If the insurance policy is **not** held in trust and the premiums are **not** covered by the exemption, then each premium is a gift of cash. You must answer 'Yes' to question 9(a) and take the premiums into account in answer to question 2.

You can also answer 'No' to question 9(a) if

- the insurance policy **is** held in trust (this will be the most common case), **and**
- it was put into trust more than 7 years ago, **and**
- the premiums paid each year are covered by the exemption for regular gifts out of income (see annex 2), **and**
- the answer to question 9(b) is 'No'.

If the insurance policy **is** held in trust, and it was put into trust more than 7 years ago, but the premiums are **not** covered by the exemption, then each premium is a gift of cash. You must answer 'Yes' to question 9(a) and take the premiums into account in answer to question 2.

**In any other case, for example where the policy was put into trust within 7 years of the death, or if you answer both questions 9(a) & 9(b) 'Yes', stop filling in form IHT205 now - you will need to fill in form IHT400.**

Question 10

**Only answer this question if your answer to question 7 was 'Yes'.**

Transfer of pension entitlement

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

Dealings with benefits under pensions can be very complicated. If you answer 'Yes' to question 7, you should read Annex 4 to find out how to answer questions 10(a) and 10(b).

If your answers are 'Yes' for question 7 and 'No' for questions 10(a) and 10(b), you can continue filling in form IHT205.

**But if the answer to either question 10(a) or 10(b) is 'Yes', stop filling in form IHT205 now - you will need to fill in form IHT400.**

## 11. Deceased's own assets

You must include the gross value for both the deceased's own assets and their share of any assets held as tenants-in-common in section 11. Please make it clear if you are including only a share of an asset, such as a house. Gross value here means the value of the assets before deduction of any relief or exemption. If you need to include an estimated value, read the appropriate paragraph earlier in this guide.

Also, and this may seem rather obvious, but you must include all the assets that were part of the deceased's estate *as at the date of death*.

We say this because if two people, say husband and wife, die in close succession, it is possible for the beneficiaries of the second to die to alter the devolution of the estate of the first to die by executing Deed of Variation within two years of that death. The effect is that they can redirect assets from the first estate away from the second estate.

But a redirection in these circumstances *only* has effect for inheritance tax purposes. It does not alter the value of the second estate for probate purposes, so it is the value of the second estate *as at the date of death* that determines whether you can fill in form IHT205, or whether you must fill in form IHT400. If the gross value of the second estate as at the date of death exceeds the excepted estate limit, you must fill in form IHT400.

### Box 11.1

Cash, money in banks, building societies and National Savings

You should include in this box the total figure for all the money in bank and building society accounts, National Savings investments and cash when the person died. This will include

- cash held by the deceased, kept at home or elsewhere, such as a safety deposit box,
- money in current, deposit, high interest, fixed interest, term, bond and money market accounts,
- accounts with supermarkets or insurance companies,
- National Savings Bank accounts,
- Premium Bonds,
- TESSAs,
- cash in an ISA,
- travellers' cheques.

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

National Savings investments include

- National Savings Certificates
- National Savings Capital or Deposit Bonds
- National Savings Income Bonds
- Pensioners Guaranteed Income Bonds
- Children's Bonus Bonds

- First Option Bonds
- Save As You Earn Contracts
- Year Plans.

You can find out the value of all National Savings investments by sending off form NSI 904. You can get this form from the Post Office. Or you can telephone the National Savings Enquiry Line 0845 964 5000 or e-mail to [customerenquiries@nsandi.com](mailto:customerenquiries@nsandi.com)

#### Box 11.2

Household and personal goods

The term 'household and personal goods' means things such as furniture, pictures, paintings, china, TV, audio and video equipment, cameras, jewellery, cars, caravans, boats, antiques, stamp collections and so on. You do not have to get a professional valuation, although it might be worth doing so if you think any items may be worth more than £500. If you estimate the value, remember to use the open market value not an insurance or replacement value.

The open market value is the realistic selling price for the items. This is likely to be the value the item might fetch if sold at auction, or through the local paper, or even at a car boot sale.

#### Box 11.3

Stocks and shares quoted on the Stock Exchange

You should include in this box

- UK government securities such as Treasury stock, Exchequer stock, Convertible stock and Consolidated stock,
- all stocks, shares, debentures and other securities listed on the Stock Exchange Official List,
- Unit trusts,
- Investment trusts,
- Open-Ended Investment Companies,
- PEPs
- shares in an ISA.

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

Annex 5 tells you how to value quoted stocks and shares.

The registrars for British Government stock are Computershare Investor Services PLC, PO Box 2411, The Pavilions, Bridgwater Road, Bristol, BS3 9WX. The helpline number is 0870 703 0143 and e-mail address is [gilts@computershare.co.uk](mailto:gilts@computershare.co.uk). Please note that Computershare are unable to provide valuations. You can find out the value of British Government Stock by contacting your local bank or stockbroker or at [www.dmo.gov.uk](http://www.dmo.gov.uk)

#### Box 11.4

Stocks and shares not quoted on the Stock Exchange

You should include in this box

- shares in a private family company which are not quoted on the Stock Exchange
- shares listed on the Alternative Investment Market (AIM)
- shares traded on OFEX (an unregulated trading facility for dealing in unquoted shares).

You will be able to value shares on AIM or OFEX in the same way as quoted stocks and shares (see annex 5).

For private company shares, you should give an estimate of the open market value of the shares. You may need to contact the company's secretary or accountant to get this value. You should **not** include just the nominal value of such shares - for example the nominal value for 1,000 £1 ordinary shares is

£1,000 - unless that genuinely reflects your estimate of the open market value of the shares.

Box 11.5

Insurance policies, including bonuses and mortgage protection policies.

You should include in this box the total value for

- life insurance policies paying out to the estate, including any bonuses that are paid,
- money paid under a mortgage protection policy (if the policy was in joint names, include the amount payable in box 12.3),
- insurance policies held in ISAs,
- payments received under investment schemes which pay 101% of the unit value on death,
- payments received under investment or re-investment plans, bonds or contracts with a financial services provider which pay out on death,
- insurance policies on the life of another person but under which the deceased was to benefit.

Box 11.6

Money owed to the deceased

You should include in this box

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

You should include the face value of the loan, after taking off any repayments that had been made.

Box 11.7

Partnership and business interests

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

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

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

Box 11.8

Freehold/leasehold residence

You should include in this box the open market value for the deceased's home. If the deceased had moved to a nursing or other residential care home shortly before they died and the property had been left vacant, you should still include it in this box. If the property had been let after the deceased moved out, you should include the value in box 11.9. Write the address of the property, including the postcode, in the space provided.

Valuing land and buildings

You do not have to get the property professionally valued, but you must take all reasonable steps to put a value on the property. Advertisements in the local estate agents and newspapers for properties that are very similar to the deceased's property may help you to make a realistic estimate of the value.



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

If you come to a range of values for the property, it is probably best to adopt a value that is somewhere in between the highest and lowest values that you have got.

If, having arrived at your figure and before you apply for a grant, you find out about other information that casts doubt on your estimate, you must reconsider it. For example, if you have estimated that the property was worth £150,000, but when you try to sell the property you market it at £170,000 and receive some offers at that figure or more, it suggests that the open market value for the property may be more like £170,000. We recommend that you do reconsider your figure, taking into account such things as the length of time since the death and movements in the property market and, if necessary, change your figure.

Box 11.9

Other  
freehold/leasehold  
residential property

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

Box 11.10

Other land and  
buildings

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

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

We explain how you should value the property at box 11.8, although it is more likely you may need professional advice if the estate contains this sort of land. Write the address or location of the property in the space provided.

Box 11.11

Any other assets

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

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

**Add up boxes 11.1 to 11.11 and write the answer in box A.**

**12. Other assets  
forming part of the  
estate**

You should include the other assets that make up the deceased's estate in boxes 12.1 - 12.5. If there are any debts to deduct against these assets, you should include these debts in boxes 13.4 - 13.7. If the debts are more than the value of the corresponding assets, tell us what the total assets and debts were

in box 14 and write nil in the relevant numbered boxes.

Box 12.1

Gifts and other lifetime transfers

If your answer to question 2 was 'Yes', you should write in this the box the total value (after taking off any exemptions) of the gifts or other lifetime transfers made by the deceased. Remember to add back any gifts that were covered by the "Other exemptions" described in Annex 2. Write in the space provided

- the date of gift,
- who received the gift,
- what was given away,
- its value, and
- set out how you have deducted the exemptions.

Use box 14 if you need more room to give details of gifts.

Box 12.2

Assets held in trust

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

Box 12.3

Share of joint assets passing by survivorship.

If the deceased owned any joint assets, you should describe each joint asset and write the value of the whole of it in the space provided. Use box 14 if you need more room to give details of joint assets. You should write the total value of the deceased's share of these joint assets in this box.

If the jointly owned assets were held as tenants-in-common, remember to add those assets to the other assets in boxes 11.1 to 11.11 - and if there were any debts owed on assets held as tenants-in- common, include these debts in boxes 13.2 or 13.3.

Box 12.4

Nominated assets

Some bank accounts and National Savings investments can be 'nominated'. This means the owner has given instructions for the asset to go to a particular person when the owner dies. (But this does not include legacies in the Will.) You need to include any nominated assets as part of the estate. But this does not include any nominated pension benefits. You should read Annex 4 to find out what to do about pension benefits.

If you find that the deceased has nominated any assets, you should describe the asset and give its value in box 14. Write the total value for nominated assets in box 12.4.

Box 12.5

Assets outside the United Kingdom

You should include in this box the value of assets outside the United Kingdom, plus the deceased's share of any foreign assets that were owned jointly with someone else. You need to convert the value in the foreign currency to £ sterling. You can find conversion rates for the most common currencies in the daily newspapers.

Remember that the Channel Islands and the Isle of Man are not part of the United Kingdom.

**Add up boxes 12.1 - 12.5 and write the answer in box B. Add up boxes A and B and write the answer in box C.**

**If the value in box C is more than the excepted estate limit and none of the assets pass to the deceased's spouse or civil partner or to a charity, stop filling in form IHT205 now - you will need to fill in form IHT400.**

### 13. Debts of the estate

Box 13.1  
Funeral expenses

You may include a deduction for funeral expenses and a reasonable deduction for the mourning expenses of the close family. You may also deduct the cost of a tombstone or headstone marking the site of the deceased's grave. Write the total value of these costs in this box.

Box 13.2  
Mortgage on property included in section 11

You should include in this box any money that was secured by a mortgage on property that you have included in section 11; if the deceased only owned a share of the property concerned, you should only include the appropriate share of the mortgage. If the deceased had a mortgage protection policy, you should include the mortgage in this box and the money that the policy paid out in box 11.5.

Box 13.3  
Other debts owed in the United Kingdom

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

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

#### **Add up boxes 13.1 - 13.3 and write the answer in box D.**

Box 13.4  
Debts payable out of trust assets

You should include in this box any debts that are payable out of trust assets. If the trustees only give you one figure for the trust assets that is after deduction of any debts, include that figure in box 12.2 and leave this box blank.

Box 13.5  
Share of mortgage on jointly owned property.

You should include in this box the deceased's share of any money that was secured by a mortgage on jointly owned property. If there was a joint mortgage protection policy, you should include the share of the mortgage in this box and the share of the money that the policy paid out in box 12.3.

Box 13.6  
Share of other debts payable out of joint assets.

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

Box 13.7  
Debts owing to persons outside the United Kingdom

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

#### **Add up boxes 13.4 - 13.7 and write the answer in box E.**

#### **Add up boxes D and E and write the answer in box F.**

**Take away the value in box F from the value in box C and write the answer in box G.**

#### 14. Additional information

Use this space to provide any information we ask for, or if you need more space for any reason. If you want us to take anything into account, write it here.

#### 15. Exemptions

If the value in box C is less than the excepted estate limit and none of the assets pass to the deceased's spouse or civil partner or to a charity, write '0' in box H and copy the value in Box G to Box J. Go on to page 24 and continue at paragraph 'Net qualifying value'.

If any of the assets do pass to the deceased's spouse or civil partner or to a charity or other qualifying body, these assets are likely to be exempt from inheritance tax. Provided the legacies meet the conditions described earlier in this guide, you may take the amount of the legacy away from the net value of the estate shown in box G.

However, if the value in box C is less than the excepted estate limit there can be no tax to pay, so you do not need to bother to deduct any exemption that may be due.

##### Box 15.1

##### Exemptions

You should describe the extent of the exemption, or list the specific assets that are entitled to exemption, in this box. Write the total value of all exemptions in box H. If the deceased died without leaving a Will but was survived by their spouse or civil partner, you should read Annex 6 to find out how to work out the spouse or civil partner exemption.

For example

1. If the deceased's Will says that the whole estate is to pass to their spouse or civil partner, say so, and write the value from box G in box H.
2. If there are legacies of £30,000 to the children, with  $\frac{3}{4}$  of the remainder of the estate passing to the spouse or civil partner and  $\frac{1}{4}$  to the children, explain that the estate is to devolve in this way, work out how much the spouse or civil partner is to receive and write that value in box H.
3. If the spouse or civil partner is to receive the household and personal goods and the deceased's home, list these two items in this box and write their total value in box H.
4. If there are any legacies to charities, write the names of the organisations that benefit in this box. Write the total of all the legacies passing to charity in box H. If there is not enough room in the box because there are lots of legacies to different charities, you only need to list those organisations receiving more than £25,000. For the others, tell us how many other charities benefit and include one figure for the total of the smaller legacies.
5. If there is a mixture of assets passing to the deceased's spouse or civil partner and to charity, tell us as much as you can in this box and write the total amount of exemption in box H. Use box 14 if you need more room.

**Take away the value in box H from the value in box G and write the answer in box J. This is the net qualifying value of the estate.**

##### Box 15.2

##### Tax district or reference number

If you have deducted any exemptions for spouse or civil partner, or charity exemption against the value of the estate, you should give the name of the deceased's tax district and reference number in this box. Otherwise leave this box blank. If the deceased was a Self Assessment taxpayer, the reference number is the ten-digit UTR quoted on correspondence from HMRC.

Net qualifying value	<p><b>Provided the value in box J does not exceed the excepted estate limit, you may apply for a grant of representation without filling in form IHT400.</b></p> <p><b>If the value in box J exceeds the excepted estate limit, stop filling in form IHT205 now - you will need to fill in form IHT400.</b></p>
And finally.....	Turn back to the first page of the form. If the value in box C is less than the excepted estate limit, you should tick the first box in the top right hand corner of the first page. If the value in box C is more than the excepted estate limit, but less than £1,000,000 <i>and</i> you have deducted spouse or civil partner, or charity exemption so that the value in box J is below the excepted estate limit, you should tick the second box.
Signing the form	Each person who will be applying for a grant should read the statements above the signatory boxes. In signing the form each person is saying that they have read the statements and will comply with their terms. Each person applying for a grant should write their name and address in one of the boxes, sign and date the form.
Summary	Copy the figures from boxes A and D into the respective boxes in the summary. Take box D away from box A and put the answer in box K.

### What to do when you have finished the form

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

Do I need a copy of the form?	Yes, we recommend that you keep a copy of the signed form for your own records and because you will need it should the value of the estate change after the grant such that tax becomes payable.
What about all the papers and records I have used to fill in the form?	You do not need to send us copies of any of the other papers you have used to fill in form IHT205 - just the form itself and any continuation page(s) for box 14. But you should keep the papers and records safe in case we ask for you them.
When will I hear from you if you want to see the papers and records?	Provided you have used form IHT205 correctly, it is unlikely you will hear from us. We have 35 days after the issue of the grant to write to you about the information you have given in the form. If we do not write to you in that time, we will not need to see the papers and records and you will not have to pay any inheritance tax.

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

**The shaded paragraphs are for people who are applying for a grant without the help of a solicitor or other agent.**

What do I do now?	There are slightly different processes to follow depending on whether you are applying for a grant in England & Wales or Northern Ireland.
England & Wales	Read the booklet PA2 and follow the instructions to fill in form PA1. When you have gathered together all the papers needed to apply for probate, send form IHT205 and those papers to the relevant probate registry as explained in booklet PA2.
What happens then?	Booklet PA2 tells you what will happen in detail, but briefly, the probate registry will ask you to come for an interview. Provided everything is satisfactory, the probate registry will send you the grant and will send form IHT205 to us.

Northern Ireland	Read the booklet "Dealing with a deceased's person's estate". When you have gathered together all the papers needed to apply for probate, telephone the Belfast or Londonderry office to make an appointment for an interview. You will need to take all the papers to apply for probate and the IHT205 with you. After your interview, the probate office will send you the grant and will send form IHT205 to us.
What happens after I get the grant?	You can begin to deal with the estate by collecting in the assets and paying the debts and legacies.

## What to do if the value of the estate changes

What do I do if the value of the estate changes?

If, after you have got the grant, you find some more assets, or you discover that the value of an asset has changed - for example, the house or some personal goods have been sold for a different figure, you should amend your working copy of the form. If, having made these changes, the value at box J is more than the IHT threshold, you will need to tell us about the changes and pay the tax.

How do I tell you about changes?

You should fill in a Corrective Account, form C4 to tell us about any changes. You can get this form from the Internet or from our helpline. Copy the figure from box J on form IHT205 to page 4 of the Corrective Account and fill in the rest of that page.

You must send form C4 to us within 6 months of finding out about the change to the estate. If you are late in sending the form to us, you may make yourself liable to financial penalties.

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

If you calculate that there is tax to pay, send the form C4, a copy of the IHT205 and your cheque for the tax and any interest that is due to the Nottingham office.

If you do not want to work out the tax yourself, just send form C4 and a copy of the IHT205 to us. We will then send you a calculation of the tax and any interest that you owe. But we will be able to deal with your estate much more quickly if you can send the payment to us.

If you calculate that there is still no tax to pay, but the changes mean that the estate no longer qualifies as an excepted estate, send the form C4 and a copy of the IHT205, to either the Nottingham or Belfast office, depending whether you applied for a grant in England & Wales or Northern Ireland.

What do I do if the exemptions change?

The exemptions will change if those who inherit the estate change after the date of death. The beneficiaries of an estate can alter those who inherit an estate by executing a deed of variation. If the people who inherit the estate change and as result the estate no longer qualifies as an excepted estate, you must tell us about the changes on a Corrective Account, form C4.

For example, if all the assets were left to the surviving spouse, box J on form IHT205 should show '0'. But if the spouse redirects £100,000 to her children, you should reduce the exemption shown in box H by that amount and rework the answer in box J. But as box J still does not exceed the excepted estate limit there is no need to tell us about the change.

But if, in the same example, the spouse redirected £300,000 to the children, the new figure in box J would exceed the excepted estate limit. So you would then need to fill in form C4. You should copy the original figure from box J on form IHT205 to page 4 of form C4 and then show the reduction in the exemption on that same page.

But what if the changes are covered by other exemptions or reliefs?

This can happen when, for example, all the assets are left to the spouse, but they include a farm that the spouse redirects (by an instrument of variation) to the children. You should reduce the value of the spouse or civil partner exemption by the value of farm and rework the answer in box J. If box J still does not exceed the excepted estate limit there is no need to tell us about the change, but if it is more than the excepted limit, you must fill in form C4.

You should copy the original figure from box J on form IHT205 to page 4 of form C4 and show the reduction in the spouse or civil partner exemption on that page. If you consider the farm qualifies for agricultural relief, you should also include the relief on page 4.

This may mean that there is still no tax to pay. But as the estate no longer qualifies as an excepted estate (because you can only take spouse or civil partner and charity exemption into account in deciding if an estate qualifies as an excepted estate), **you must still tell us about the change in these circumstances.** You should send a copy of the deceased's Will and the instrument of variation with the forms.

## 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 IHT205; that is the executors or administrators, or another person appointed to act for them; usually a solicitor or an accountant.

## Data Protection Act

HMRC is a Data Controller under the Data Protection Act. We hold information for the purposes of taxes, social security contributions, tax credits and certain other statutory functions as assigned by Parliament. The information we hold may be used for any of HMRC's functions.

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 others such as other government departments and agencies and overseas tax authorities. We will not give information about you to anyone outside HMRC unless the law permits us to do so.

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

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