

INHERITANCE TAX: WARTIME COMPENSATION PAYMENTS

Ministers have agreed to requests to extend extra-statutory concession F20 from today, 13 March 2002, to include further schemes which compensate original victims or their spouses for the personal hurt suffered at the hands of the National Socialist regime during World War II. Claims in respect of the German Public Law foundation "Remembrance, Responsibility and Future" and Holocaust Victim Assets Litigation (Swiss Bank Settlement) are being dealt with for non-Jewish claimants by the International Organisation for Migration, and for Jewish claimants by the Conference on Jewish Material Claims against Germany. Claimants entitled to the concession in respect of these claims are being advised by the relevant organisation at the time of their successful claim. The extended concession aligns these payments with comparable ex-gratia amounts from the UK Government to British groups held prisoner by the Japanese during World War II.

Under the present inheritance tax (IHT) rules, rights to such compensation, or the subsequent proceeds, could form part of the claimant's estate for IHT purposes. Extra-statutory concession (F20) allows the amount of any compensation payment to be deducted from the claimant's IHT chargeable estate, whether the payment is made to the claimant before their death or is made subsequently to their personal representatives.

The revised text of the concession is detailed below.

F20. Late Compensation for World War II Claims

Schemes continue to be established in the UK and abroad which provide compensation for wrongs suffered during the World War II era. When this is received by the original victim or their surviving spouse, this almost inevitably comes late in life when their plans for the disposal of their wealth have already been made. Ministers have agreed that the cash value of these claims may be excluded from inheritance tax in the following cases where compensation is paid in modest round-sum, or otherwise cash-limited, amounts:

- single ex-gratia lump sums of £10,000 payable to each surviving member of the British groups - or their surviving spouse - interned or imprisoned by the Japanese during World War II as announced by the Government on 7 November 2000;
- financial compensation of fixed amounts payable from the German foundation "Remembrance, Responsibility and Future" or the Austrian Reconciliation Fund to claimants - or their surviving spouse - who were slave or forced labourers or other victims of the National Socialist regime during the World War II;
- financial compensation of \$1,000 payable from the Holocaust Victim Assets Litigation (Swiss Bank Settlement) to each of the slave or forced labourers qualifying under the aforementioned German foundation scheme;
- financial compensation by way of fixed amounts to the victim or their surviving spouse from the Swiss Refugee Programme;

- financial compensation by way of fixed amounts to the victim or their surviving spouse from Stichting Maror-Gelden Overheid (Dutch Maror); and
- financial compensation by way of a one-time payment to the victim or their surviving spouse from the following:
 - monies allocated by the Federal German Government (the Hardship Fund);
 - the Austrian National Fund for Victims of Nazi Persecution;
 - the French Orphan Scheme.

Payments of this kind would normally increase the value of a deceased person's chargeable estate at death, either because a claim paid in their lifetime has increased their total assets, or because the right to a claim not yet paid is itself an asset of their estate.

By concession, where such a payment has been received at any time, either by the deceased or his or her personal representatives under the arrangements, the amount of the payment may be left out of account in determining the chargeable value of his or her estate for the purposes of inheritance tax on death. Similarly, where a person qualifies for more than one payment then each amount may be left out of account.

All enquiries about this extra-statutory concession in particular cases (quoting the full name and date of death of the deceased plus the Inland Revenue Capital Taxes reference number if known) should be directed to:

Inland Revenue Capital Taxes - IHT
Ferrers House
PO Box 38
Castle Meadow Road
Nottingham NG2 1BB

For members of the DX system:
Inland Revenue Capital Taxes
DX 701201
NOTTINGHAM 4