

NewsLetter

For Trusts & Estates Practitioners

Pre-owned assets

Home loan or double trust schemes

HMRC's guidance about pre-owned assets and home loan schemes has been updated to explain that HMRC is now of the view that none of the schemes succeed in mitigating the Inheritance Tax in the way intended. This will be of interest to anyone who has established a scheme and is now paying Income Tax in respect of a pre-owned asset. Many of you will be aware that the effectiveness of these schemes is subject to litigation and whilst the tribunal's decision is awaited, a question arises over what to do about the pre-owned assets charge. HMRC's view is that you should continue to pay the Income Tax charge and further guidance addressing this point in particular has now been published on the HMRC website.

[Pre owned assets guidance 5 on the HMRC website](#)

[Pre owned assets guidance 6 on the HMRC website](#)

Change of Name

From 3 October 2011 Charities Assets and Residence (of which Trusts & Estates is part) became Specialist Personal Tax. The name change was mainly to do with internal organisation and you should notice little difference in your dealings with us.

Belfast Office

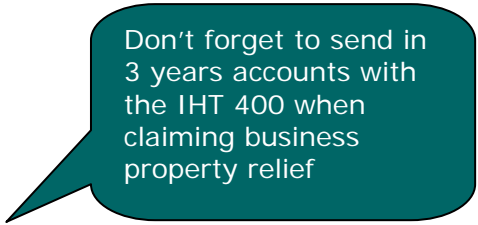
On 21 November 2011 the Belfast HMRC Trusts & Estates office moved from Millennium House to Beaufort House. You will notice no change to the DX address, but the full postal address is different.

Employee Benefit Trusts

Further to the article in the April 2011 edition of the Trusts and Estates Newsletter about HMRC's treatment of these trusts being published in Revenue & Customs Brief 18/11, a new Inheritance Tax form has been published on the HMRC website. IHT 70 Claim for Inheritance Tax business relief on employee benefit trusts.

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

[Revenue & Customs brief 18/11 on the HMRC website.](#)



Don't forget to send in 3 years accounts with the IHT 400 when claiming business property relief

Welcome

Welcome to the December 2011 edition of HMRC Trusts & Estates Newsletter.

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

During the Christmas and New Year period HMRC Trusts & Estates offices will be closed on 26 and 27 December 2011 and 2 January 2012. The Edinburgh Offices will also be closed on 3 January 2012.

The next edition of the Newsletter will be April 2012. In the meantime, HMRC Trusts & Estates would like to wish you all a very Merry Christmas and a Happy New Year.

David Smith
Head of Trusts & Estates



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Amending an Inheritance Tax account

HMRC Trusts & Estates has been working with some agents on a pilot project that aims to reduce the number of occasions it is necessary to submit revisions to the information returned in the Inheritance Tax account IHT 400. If these revisions are reported individually then this is costly for both HMRC and the Legal personal representatives of an estate.

HMRC is looking to build on this pilot by extending the standard reporting period used and widening the scope of the project to look at ways of making it easier for customers to calculate the tax due. HMRC is also looking at what guidance and tools need to be updated or developed to make this work for both HMRC and the customer. HMRC's aim is to improve accuracy and reduce the amount of time spent on dealing with amendments.

HMRC will keep you updated about the progress it is making. In the meantime if you have any suggestions for improvements please email [Lynsey Mackintosh](#)

Reminder of when to apply for an Inheritance Tax reference number

When there is no Inheritance Tax to pay on an estate you should not apply for a reference number either online or by sending HMRC Trusts & Estates a form IHT 422. This includes where there is no Inheritance Tax to pay because you are transferring a late spouse or civil partner's unused threshold (or 'nil rate band') to the second partner when they die.

In these cases, HMRC will allocate a reference number when it receives the forms and paperwork as part of the probate process (confirmation in Scotland).

Inheritance Tax payments – Issue of receipts

When all the Inheritance Tax banking operations were transferred to HMRC Banking at Cumbernauld in 2008 it was no longer possible for HMRC Trusts & Estates to issue receipts for Inheritance Tax payments. As HMRC Trusts & Estates is still receiving cheques and requests for receipts in Nottingham, this article is a reminder that the recommended method of payment for Inheritance Tax is electronic. HMRC counts electronic payments as the following:

Internet & Telephone banking
CHAPS transfer
Bank Giro

If it is not possible to pay by these means then HMRC can accept cheques in the post, but no receipt will be issued. The cheque should be sent along with the payslip quoting the IHT reference to:

HMRC Banking
St Mungo's Road
Cumbernauld
Glasgow
G70 5WY

[How to Pay Inheritance Tax guidance on the HMRC website](#)

National Heritage Property

HMRC's guidance 'Capital Taxation and the National Heritage' (which has replaced the old IR67 booklet) has been published on the HMRC website.

[Capital Taxation and the National Heritage on HMRC website](#)

Paying Inheritance Tax by National Savings Investments

Please remember that form IHT423 can only be used to make a direct payment from a deceased person's bank or building society account. The procedure is different if you want to pay using National Savings Investments. There is guidance on what to do on our website [HM Revenue & Customs: How to pay Inheritance Tax](#).

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Penalties for late filing of Self Assessment tax returns and late payment of tax

From April 2011 the penalties for customers who fail to submit their Self Assessment tax returns or pay their tax on time changed and the longer the delay the greater the penalty.

Penalties for late filing of Self Assessment tax returns

- One day late – an initial penalty of £100 (even if there is no tax to pay or tax due has already been paid)
- Three months late – an automatic daily penalty of £10 per day, up to a maximum of £900
- Six months late – further penalties, which are the greater of 5% of tax due or £300
- Twelve months late – further penalties, which are the greater of 5% of tax due or £300. In serious cases penalties can be up to 100% of the tax due

Penalties for late payment of tax

- Thirty days late – an initial penalty of 5% of the tax unpaid at that date
- Six months late – further penalty of 5% of the tax that is still unpaid
- Twelve months late – further penalty of 5% of the tax that is still unpaid

These penalties are additional to the interest that will be charged on all outstanding amounts, including unpaid penalties, until payment is received.

Further details on Self Assessment tax return filing deadlines and penalties are available on the HMRC website.

[Tax return deadlines and penalties guidance on the HMRC website](#)

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.

Form	Version
IHT 402	05/11
IHT 409	06/11
IHT 410	04/11
IHT 420	02/11
IHT 400 Notes	Sept 2011
IHT 205(2006)	01/11
IHT 206(2006)	Jan 2011
C5(2006)	01/11
C3(2006)	Jan 2011

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

Amendments to HMRC Trusts & Estates Manuals

Inheritance Tax Manual (IHTM)

Updated and new guidance

Since the last edition of this newsletter HMRC Trusts & Estates have published a number of significant updates to the Inheritance Tax Manual (IHTM). The following sections of guidance have been substantially rewritten to reflect current legislation and procedures:

[IHTM03000](#) to IHTM03342 - Files (whole chapter)
[IHTM05000](#) to IHTM05114 - What happens when someone dies? (whole chapter)
[IHTM10000](#) to IHTM10850 - IHT accounts and accountability (whole chapter)
[IHTM11000](#) to IHTM11322 - Exemptions (whole chapter)
[IHTM13000](#) to IHTM13035 - Domicile (whole chapter)

[IHTM14231](#) to IHTM14255 - Normal out of income exemption (section)
[IHTM15000](#) to IHTM15102 - Joint property and nominated property (whole chapter)
[IHTM19000](#) to IHTM19120 - Capital debts due to the estate (whole chapter)
[IHTM28000](#) to IHTM28397 - Liabilities (whole chapter)

New guidance was also added to the manual on the treatment of shares in Northern Rock and Bradford and Bingley for Inheritance Tax purposes at [IHTM10073](#) & [IHTM34158](#).

Feedback

If you have any feedback to give HMRC Trusts & Estates about anything in the IHTM, such as broken links, formatting problems or out of date guidance please email [The Editor](#). Please note that the Editor cannot comment on or answer questions about technical or legal issues.

Trusts, Settlements & Estates Manual (TSEM)

Since the last edition of this newsletter HMRC Trusts & Estates have published new guidance on a number of issues in the Trusts, Settlements & Estates Manual (TSEM). The most significant pieces of new guidance are:

[TSEM1451](#) - New guidance on foreign law trusts
[TSEM9100](#) to TSEM9700 and [TSEM9900](#) - New guidance on ownership and income tax
[TSEM9800](#) to TSEM9878 - New guidance on property held jointly by married couples or civil partners

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