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Inheritance Tax Statistics 2008-09



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1. Summary

This publication contains information about Inheritance Tax in the UK and estates requiring a grant of representation, including information on Inheritance Tax receipts, which estates pay Inheritance Tax, the use of tax reliefs and the assets left on death by these estates.

Inheritance Tax receipts have risen by 14% in 2010/11, but are still 29% below their peak in 2007/08 due to falling receipts in 2008/09 and 2009/10 reflecting changes in asset prices and policy changes. In particular the introduction of the Transferable Nil Rate Band in October 2007 took many estates out of tax and reduced the tax burden on other eligible estates contributing to the falls in receipts seen in 2008/09 and 2009/10.

Around 19,000 estates left on death in 2008/09 had their liability reduced by the Transferable Nil Rate Band. The use of reliefs against assets and tax has stayed broadly constant over time.

2. New or updated statistics in this release

This publication contains new tables of Inheritance Tax Statistics for the year 2008/09 alongside new receipts data for 2010-11. The new tables released and links to these are given below:

Table 12.1 Analysis of receipts - [pdf table](#), [xls table](#).

Table 12.2 - Estates notified for probate: numbers and tax by range of estate for years of death - [pdf table](#), [xls table](#)

Table 12.3 - Estates notified for probate: numbers and tax by range of estate for years of death - [pdf table](#), [xls table](#)

Table 12.4 Estates notified for probate: assets in estates by range of net estate - [pdf table](#), [xls table](#)

Table 12.5 Estates notified for probate: assets by sex, age and marital status of deceased - [pdf table](#), [xls table](#)

Table 12.6 Taxpaying estates : assets by sex, age and marital status - [pdf table](#), [xls table](#)

Table 12.7 Assets held in taxpaying discretionary trusts at ten year anniversary by range of value - [pdf table](#), [xls table](#)

Table 12.8 Assets held in taxpaying discretionary trusts at ten year anniversary by asset type and by year of ten year anniversary -[pdf table](#), [xls table](#)

Table 12.10 Taxpaying estates: numbers by Government Office Regions and Nomenclature of Units for Territorial Statistics (NUTS) Level 3 and analysis of receipts by Government Office Regions - [pdf table](#), [xls table](#)

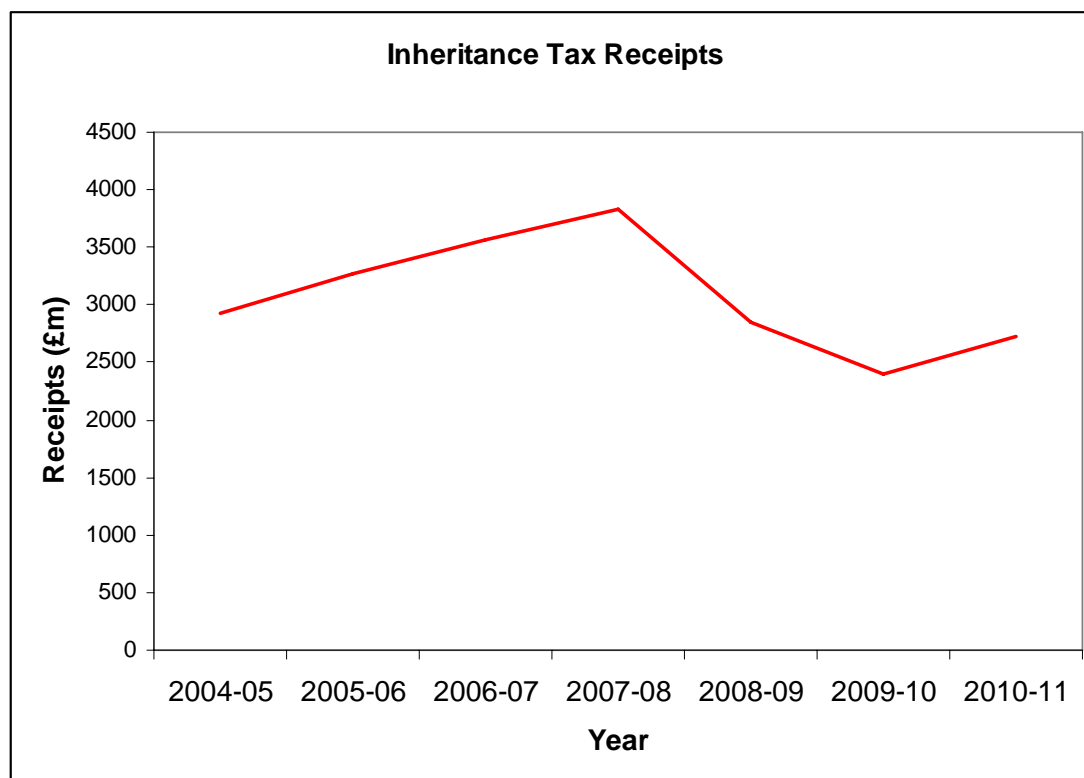
Table 12:11 Taxpaying estates: numbers by Government Office Regions and Local Administrative Units (LAU) Level 1 - [pdf table](#), [xls table](#)

Table 12.12 Taxpaying estates: numbers by Government Office Regions and UK (Westminster) Parliamentary Constituencies [pdf table](#), [xls table](#)

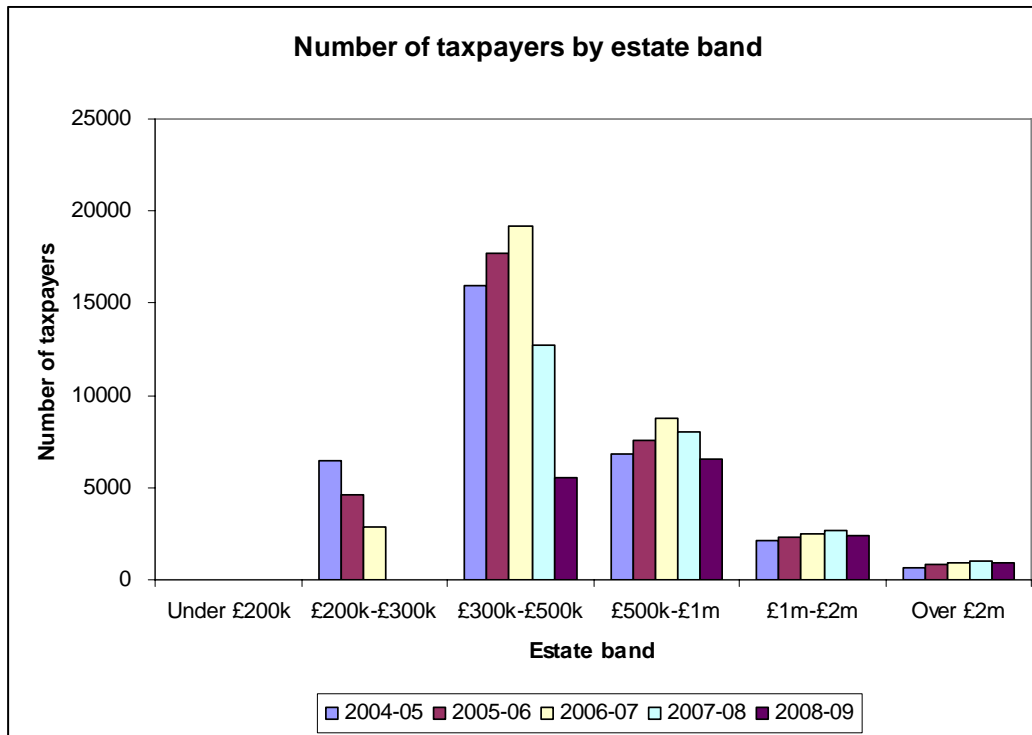
Table 12.9 was produced as a one-off and is not regularly updated.

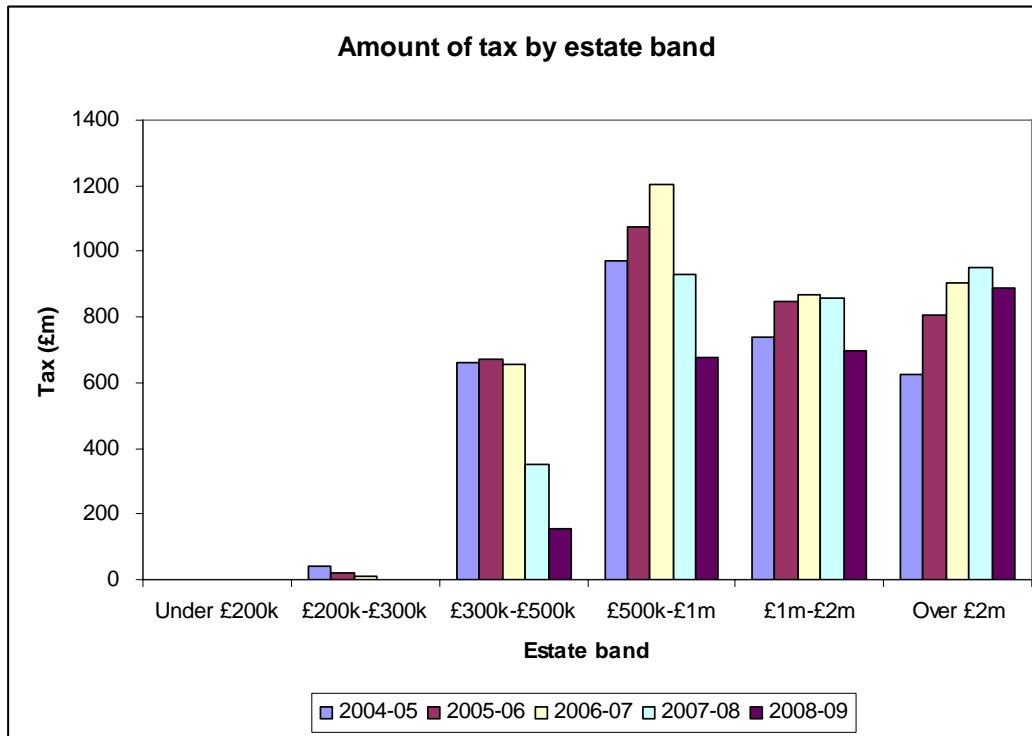
3. Commentary and analysis

Inheritance Tax receipts have risen by 14% in 2010/11, but are still 29% below their peak in 2007/08 due to falling receipts in 2008/09 and 2009/10 ([Table 12.1](#)). Receipts lag an estate being left on death, so for example 2010/11 receipts will mainly correspond to estates left on death in 2009/10 and 2010/11, but some will correspond to estates left on death in earlier years. The movements in receipts partly reflect changes in asset prices over this period, in particular falling house prices (in the second half of 2008 and through most of 2009 followed by year on year growth in 2010) will have contributed to the falls in receipts and recent rise. Also, receipts will have been affected by policy changes over this period. The introduction of the Transferable Nil Rate Band in October 2007 (described further in section 4) took many estates out of tax and reduced the tax burden on other eligible estates contributing to the falls in receipts seen in 2008/09 and 2009/10. In addition, pre-announced threshold increases followed by the subsequent freeze will affect receipts by removing or bringing estates into tax and reducing or increasing the tax burden on other estates. Thresholds for Inheritance Tax are published in [Table A8](#).

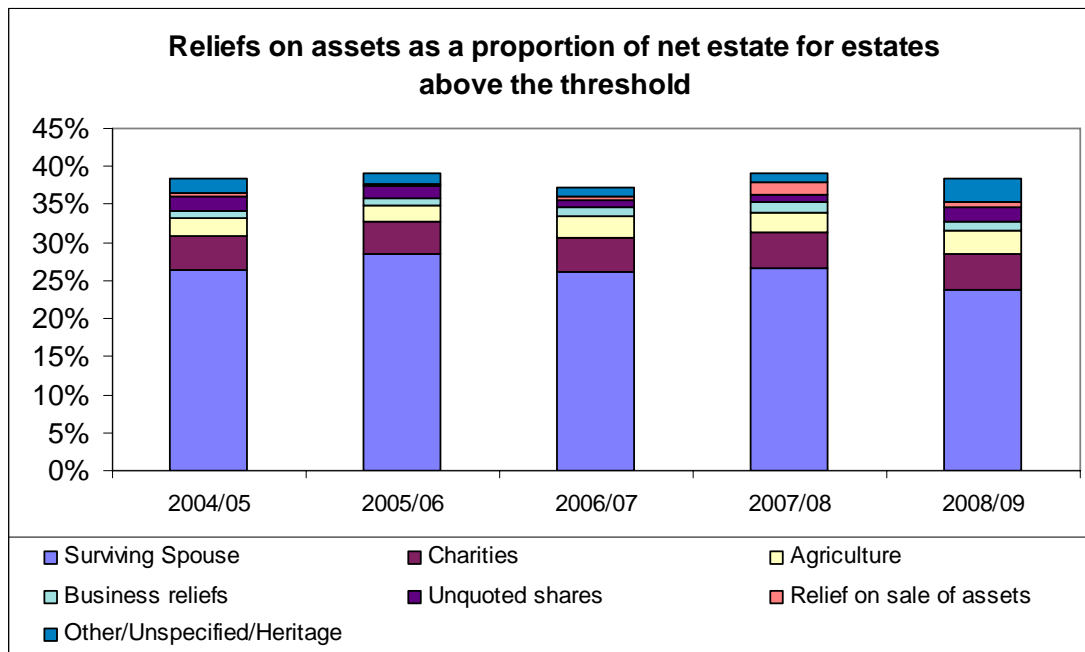


While cash receipts data is available up to 2010/11, the most recent data on year of death is for 2008/09 as this is based on returns and is subject to a lag in order to achieve a full year's data (see section 5 for further details). Using this year of death data, the patterns seen in the cash receipts can also be seen in the numbers of taxpaying estates left on death by estate size, and the tax paid by these estates ([Table 12.3](#)). The number of taxpaying estates under £300k has fallen to zero as threshold increases have taken all estates below this level out of tax. There have also been large falls in the number of taxpaying estates left on death in 2007/08 and 2008/09 in the £300k to £500k size band due to the transferable nil rate band and threshold increases. The estates above £500k have seen smaller declines in the number of taxpaying estates, but the transferable nil rate band amount of tax paid has also declined for these estates. There are similar trends in the amount of tax paid by estate band.



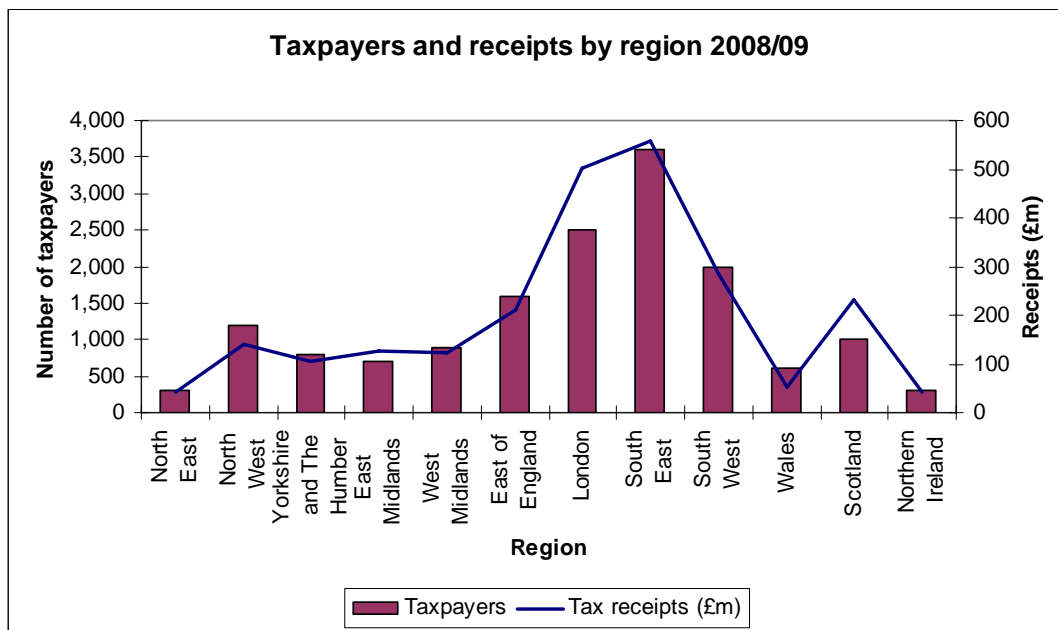


[Table 12.2](#) shows that around 19,000 estates used the Transferable Nil Rate Band in 2008-09, although for some of these estates it may have reduced their tax liability rather than taken them out of tax completely. The total use of relief against assets as a proportion of net estates has stayed fairly constant over the period. While there appears to have been a fall in the use of spouse relief in 2008-09 and an increase in the use of other/unspecified/heritage relief this may reflect problems with the capture of these reliefs, as described further in the section on quality.

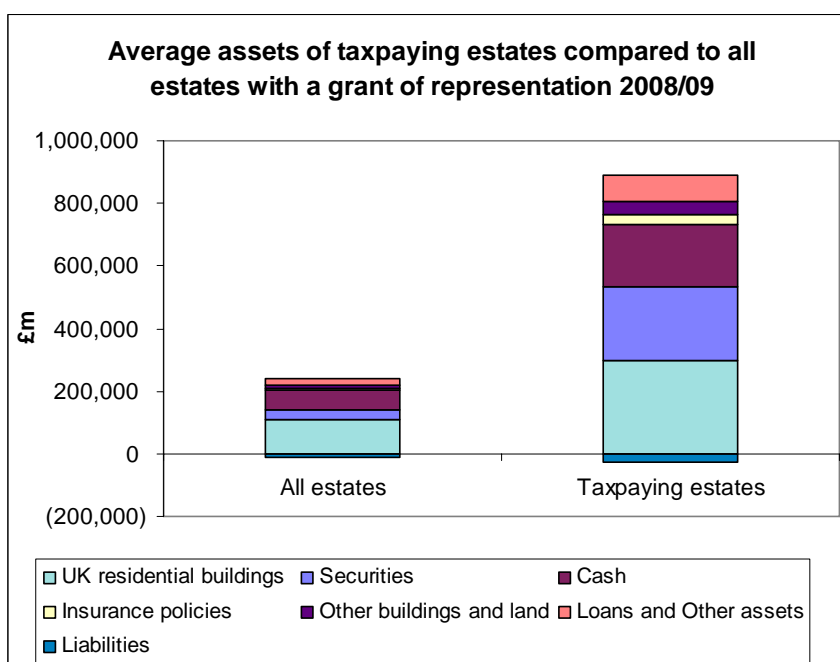


The data on taxpayers and amount of tax by region come from different sources, and so care needs to be taken in comparing them. However both sets of data are showing a similar picture, with the highest number of taxpayers and amounts of

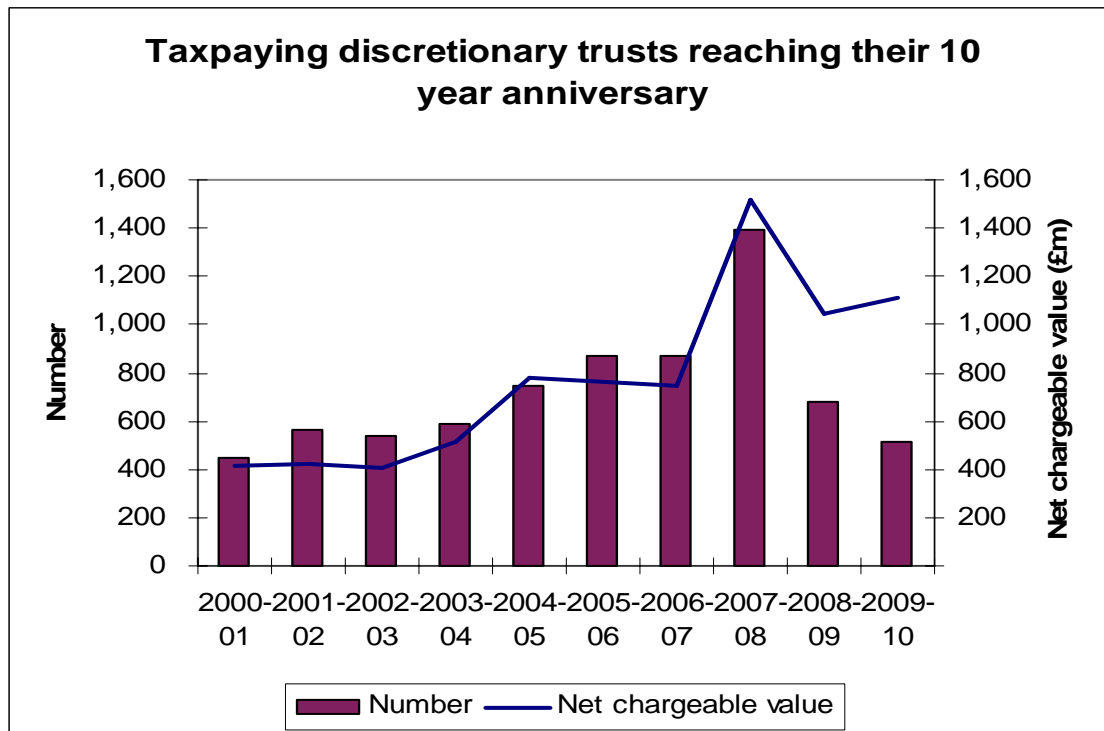
receipts in the South East, followed by London, the South West and the East ([Table 12.10](#)). The regional and other patterns in geographic data will partly reflect differences in house prices and differences in the number of deaths between areas.



On average the net capital value of taxpaying estates is £860,000 compared to £230,000 for all estates requiring a grant of representation. One of the largest differences is in the amount of securities held by these estates, with taxpaying estates holding an average of £239,000 compared to an average of £30,000 for all estates requiring a grant of representation. While the average value of UK residential buildings are £187,000 higher for the taxpaying estates this is a lower proportion of their net capital value than for all estates requiring a grant of representation. These differences will reflect how the composition of estates changes by estate size, since as shown by [Table 12.3](#) the majority of the non-taxpaying estates are smaller as they fall under the Inheritance Tax threshold.



There is some volatility around the number of taxpaying trusts reaching their ten year anniversary each year and the amount of assets held in these ([Table 12.8](#)). However the amount of assets held in these (based on their net chargeable value) is increasingly reflecting a growing proportion of estates with a net chargeable value of more than £1m ([Table 12.7](#)). Changes announced in Budget 2006 which restricted the Inheritance Tax exemptions applying to certain types of trusts will have increased the numbers of taxpaying trusts.



Note: The data is subject to revision in later years. This is most likely to affect 2009-10 where the number and amount are likely to be revised upwards. In recent years the revisions have increased both the number and amount by around 50%.

4. Information about Inheritance Tax

Inheritance tax was introduced in 1986. It replaced capital transfer tax which had been in force since 1975 as a successor to estate duty.

Inheritance tax (IHT) is levied on:

- the assets (less deductible liabilities) of deceased persons transferred on death;
- gifts made within 7 years of death or, made at any time, when there is a reservation of benefit which continues within 7 years of death: such transfers become chargeable at the time of death;
- gifts by individuals to discretionary trusts or other relevant property trusts, or to companies; such transfers are chargeable at the time the gift is made.

For property in discretionary trusts and other relevant property trusts, there is a charge on the tenth anniversary of the creation of the trust and every subsequent tenth anniversary. Property leaving such trusts is also subject to an IHT charge. Details of these rules and other aspects of IHT are given in the HMRC Inheritance Tax Customer Guide (<http://www.hmrc.gov.uk/inheritancetax/>).

Assets are valued at the price that they might reasonably be expected to fetch if sold in the open market at the time of the transfer. In the case of a transfer by gift, the value is the amount by which the gift reduces the transferor's estate. If in lifetime the transferor bears the tax due on the transfer, the loss to the estate will include the tax.

The values of some assets transferred on death may be reduced if they are sold for a lower amount within a specific period. Different time periods apply to listed securities, unit trusts and to land and buildings.

The rates of IHT are shown in the table 'Rates of inheritance tax / capital transfer tax' (http://www.hmrc.gov.uk/stats/inheritance_tax/appendix_a8.xls) together with the lower limits for the various rate bands in earlier years. Since 1988 a flat rate has applied above a threshold which is indexed for inflation, unless Parliament decrees otherwise. The value of the estate up to the threshold is known as the "nil rate band". Since October 2007, any unused nil rate band from a late spouse or civil partner can be transferred for the use of the second spouse or civil partner when they die. This is known as the "transferable nil rate band". This means that the second partner's nil rate band can be as much as twice the standard threshold, depending on the circumstances.

The amount of IHT payable on a transfer depends on the cumulative total of transfers (other than exempt transfers) in the previous 7 years. This applies to transfers made on death as well as to lifetime transfers which are immediately chargeable or which become chargeable on death. No tax is payable on the part of the cumulative total below the threshold. Currently tax is charged at a single rate of 40 per cent on the amount above the threshold for transfers on death and within 7 years before death, and at half the death rate for transfers which are immediately chargeable during lifetime.

The tax on land and buildings, control holdings of shares, unlisted shares and securities, and businesses may be paid by instalments over 10 years. If, however, the asset is sold, and in some other circumstances, the tax outstanding becomes immediately payable.

Not all transfers are subject to IHT. The main exemptions include:

- transfers between spouses and from 5 December 2005 civil partners (subject to some limitation if the transferee is domiciled abroad);
- transfers to charities;
- an annual exemption for lifetime gifts not exceeding £250 to each recipient and the first £3,000 of lifetime gifts not otherwise exempt.

Subject to certain conditions, the value of agricultural property and business assets, including unlisted shares or securities, is reduced by 100 per cent or 50 per cent, according to the nature of the interest transferred, and tax is assessed on the reduced value. Before 10 March 1992, the rates of relief were 50 per cent and 30 per cent respectively.

Where tax is payable on the death of a person who received property within 5 years under a chargeable transfer, the tax payable on the second occasion is reduced.

Similar relief also applies to a lifetime charge on the termination of an interest in possession in settled property.

The tax payable may also be reduced by double taxation relief. If death duties are paid in another country on property situated there the foreign duty may be deducted from any United Kingdom tax on the same property.

Payment of tax may be deferred in respect of:

- Heritage property qualifying for conditional exemption. The exemption will be lost if the property is sold or the owner fails to observe the conditions of the exemption. If the owner makes a gift of the property or dies, tax may be payable unless exemption is again claimed.
- Timber transferred on death. Tax only becomes payable if timber is sold or disposed of before it is transferred again on another death.

5. Methodology

Transfers on Death

Information must be provided to HMRC in respect of all estates for which a grant of representation (i.e. probate or letters of administration in England and Wales and Northern Ireland or Confirmation of executors in Scotland) is required, not just those estates which are taxpaying.

For statistical purposes a sample of each of the types of estates described above is taken and data are extracted from the information provided.

A grant of representation may not be needed for low-value estates - generally worth less than £5,000 (though this figure can vary) – or estates which were held in joint names and which pass to the surviving spouse/civil partner (more information is available from <http://www.hmrc.gov.uk/inheritancetax/intro/probate-process.htm>). Such estates are therefore excluded from our published statistics.

There are inevitable delays in settling the values of estates and obtaining payment of the full tax due. It is estimated that taxpaying estates are first recorded for any year of death as follows:

	Percentage of total number of taxpaying estates
In that year	56
In the following year	41
In later years	3

Few taxpaying estates therefore are missing from the statistics after the end of the year following the year of death. The record of the capital, however, is less complete and amendments may be made for some years after an estate is first recorded. About 90 per cent of the tax is paid in the year of death or the year following. The other 10 per cent is received in later years. For estates on which no tax is payable (because of the size of the estate after any reliefs) the timelag before probate is granted is on average longer than for taxpaying estates.

Because of these delays, the latest year of death for which detailed analyses of assets and exemptions are given is 2 full financial years before the date of publication. (So tables published in July 2010 cover financial year 2007-08). The number of estates included in the analysis for this year will be almost fully complete

in respect of taxpaying estates and approximately five-sixths complete in respect of non-taxpaying estates.

Other Transfers

The data on assets in discretionary trusts and other relevant property trusts are obtained from the accounts on which the ten-yearly charge is paid. Because of delays in submitting accounts and agreeing values, complete information is not available for some time after the 10 year anniversary. The data for more recent years are, therefore, less complete than for earlier years. The figures are updated annually.

Geographic breakdowns

The data on taxpayer numbers has been obtained from a download of postcodes for all estates with a tax liability greater than zero with a year of death in 2007/08. These postcodes have been matched to the geographical areas to give a count of the number of taxpaying estates in each area. The geographies used are the Government Office Regions, Nomenclature of Units for Territorial Statistics (NUTS) level 3, Local Administrative Units (LAU) level 1 and Parliamentary Constituencies, with data being published on the latter following several requests on this data.

Just over 13% of cases in the download had either missing postcodes or invalid postcodes that could not be mapped to the geographies used here. The numbers for the other constituencies were scaled to adjust for these missing postcodes.

There were also further differences between the cases appearing in the download and those identified as taxpaying using our main data source, with some non-taxpaying cases appearing in the download which was also missing some taxpayer cases (see the section below on quality of data for further information). Additional scaling was done to adjust for these.

The data on tax amounts by region (table 12.10) come from the sampled data used for our National Statistics tables. For most of the taxpaying cases the data had an identifier which showed the region of the estate, and that was used where it was available. For cases where it was not available, additional Scottish and Northern Irish cases were identified using country identifiers and also the reference numbers of the cases (which are different for these cases). The remaining cases were then joined to probate data to pick up missing postcodes to identify the relevant region. This left 13% of tax where we were unable to identify the region, and the data for the other regions in England and Wales were scaled to adjust for these.

Definitions

The following definitions are used in the tables:

Net capital value - The net capital value of the estate is the sum of all assets, including settled assets in which there is a change of the interest in possession on the death, minus the sum of all liabilities including funeral expenses.

Net estate - The net estate is the net capital value plus the value of any lifetime transfers made within the cumulation period (see paragraph 5).

Net chargeable value - The net chargeable value is the net estate minus the sum of the reliefs and exemptions (except reliefs against tax).

Tax chargeable - The tax chargeable is the amount of tax calculated by applying the appropriate tax rates to the net chargeable value.

Tax - Tax payable is the tax chargeable minus any reliefs against tax (see paragraphs 8 and 9).

6. Disclosure Control

Where the data in a cell is based on fewer than 20 estates the data has not been published due to the small sample size.

For the tables which show taxpayer numbers by geographic area to avoid the possible disclosure of information about individual estates, including by comparison with other analyses, the detailed figures have been rounded to the nearest 10 and the GOR figures to the nearest 100 taxpayers. It is therefore very common for rounded components of a rounded figure to not sum to the same figure. Where numbers for areas have been suppressed it is not possible to accurately estimate them by taking the difference between the published data and the GOR total due to the rounding.

7. Quality

As described in the methodology the data will not be fully complete due to delays in receiving data on the values of estates. The data may be incomplete in other respects too. For instance, a formal account is not always submitted of assets which are exempt from tax. Thus if the only assets transferred on a death are joint property passing by survivorship to a surviving spouse or settled property going to a charity, these assets, whatever their value, may not appear in a formal account. Even if other assets are taxable on the death, the exempt assets will be included in the statistics only if sufficient details of them are given in some document submitted on the death.

The situation is similar where the total value of the property taxable is below the threshold at which tax becomes payable. Generally details of all the property belonging to the estate of a deceased person in respect of which a grant of representation is obtained will be available. But details of other property – for instance, property passing by survivorship - may not be available.

As the data for transfers on death is based on a sample, there will be sampling variability around all the estimates which increases as the number of estates reduces. For Tables 12.4, 12.5 and 12.6 we only provide data for the latest year as these tables are not intended to be used as a time series. Were these tables to be compared to those from earlier years there will be fluctuation in this data over time that reflects sampling error or other sources of variability rather than reflecting true changes in the composition of estates. The variability is likely to be particularly high for the smaller data series within these tables.

This year there has been some uncertainty around some of the categorisation of assets. Changes to the asset codes used to capture the data meant there was some uncertainty as to whether an asset should be captured under other buildings and land or other assets. We have cleaned the data by moving cases that are likely to be other buildings and land from the other assets category but this still leaves some uncertainty about the correct split between these two codes.

Similarly there is also some uncertainty around the use of reliefs, with some spouse relief having been recorded against other relief in the initial data capture, and the transferable nil rate band recorded under reliefs set against tax. Based on a detailed investigation of the data we cleaned the data by moving cases likely to have been recorded under the wrong relief to the correct relief category. However, there may still be some cases where the relief is captured under the wrong category or may have been moved incorrectly.

The tables on numbers of taxpayer by geographic area (Tables 12.10 – 12.12) were published for the first time last year, and were published as Official Statistics rather than National Statistics given that little was known about the quality of the data. With a second year to compare the data to we have found that the shares of taxpayer numbers at Government Office Region level are very stable, though as would be expected, there is more volatility at a smaller area level. Some of this volatility can be explained by variations in which estates are left on death in any given year and also as local house price changes might vary from the national picture. However some of this volatility might reflect some of the other known problems about the data.

The shares of regional receipts (Table 12.10) are less stable year on year, and as this data is based on sample data there will be some sampling variability. Some of the largest changes relative to the size of their receipts are for Scotland and Northern Ireland, and we had concluded in 2007-08 that that data for those regions may be subject to more error than for the other regions.

One identified problem is that the download of taxpayer numbers both misses some taxpaying cases, and also contains a number of cases which from other sources appear to be non-taxpaying. For 2008-09 the number of taxpayers in this extract is higher than suggested by other sources, while the opposite was true in 2007-08. To adjust for these cases the numbers of taxpayers in each constituency have been scaled. The scaling for the missing cases and missing postcodes (see the section on methodology for more details) means that there is some uncertainty around the numbers of taxpayers, but the majority of the data is of good quality and there is no reason to expect the additional/missing cases to have a different geographic distribution.

Care should also be taken by users in using the data on taxpayer numbers by region together with the data on amounts of tax as the numbers have been calculated using different methods meaning they are not completely comparable.

8. Who might be interested, context and likely uses?

Inheritance Tax statistics are of interest to policy makers in government, academics, researchers and journalists with an interest in taxation. They might also be of interest to individuals or organisations working in fields related to probate or Inheritance Tax.

The National Statistics are most likely to be used for examining Inheritance Tax (IHT) and probate, for example to see who is paying Inheritance Tax, what assets they are paying Inheritance Tax on and the use of reliefs. The data is the best source of information on this as it is the only source of data which comes from the IHT tax system, and the data will be reliable in this context subject to the limitations outlined above. While some of the information on estate sizes and assets might also be of interest to users investigating wealth, the HMRC [Personal Wealth Statistics](#) are more appropriate for this since they take account of mortality rates.

9. User Engagement

We are committed to providing impartial quality statistics that meet our customers' needs. Feedback from users is welcome at any time, and you can contact the responsible statistician or use the feedback form on the HMRC website [here](#).

In addition, we plan to provide a tool on the website later this year which will allow users to register their interest in the statistics so that we can keep them informed about development and also contact them to alert them to any consultations.

10. Publication and Revision Strategy

This 2009/10 data is scheduled to be released in July 2012. Release dates will be announced on the UK Statistics Hub and the HMRC National Statistics release schedule. Any delays to the publication date will be announced on the HMRC National Statistics website.

As explained in the methodology section, additional cases can be received after the first time a data is published, or cases can be amended. Each year we will use the latest available data, which means that earlier data can be revised. In particular the more recent year's data is most likely to be subject to revision.

11. Related data sources

Users interested in data on wealth and the composition of assets based on the Inheritance Tax data will also be interested in the HMRC Personal Wealth Statistics, which is available from our website [here](#). This uses the same source of data as the Inheritance Tax data, but grossed to reflect mortality rates. As this data set is a combined 3 year sample to reduce volatility it will be more stable for tracking changes over time, so additional tables such as on the composition of assets over time are available.

12. Statistical Contacts

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