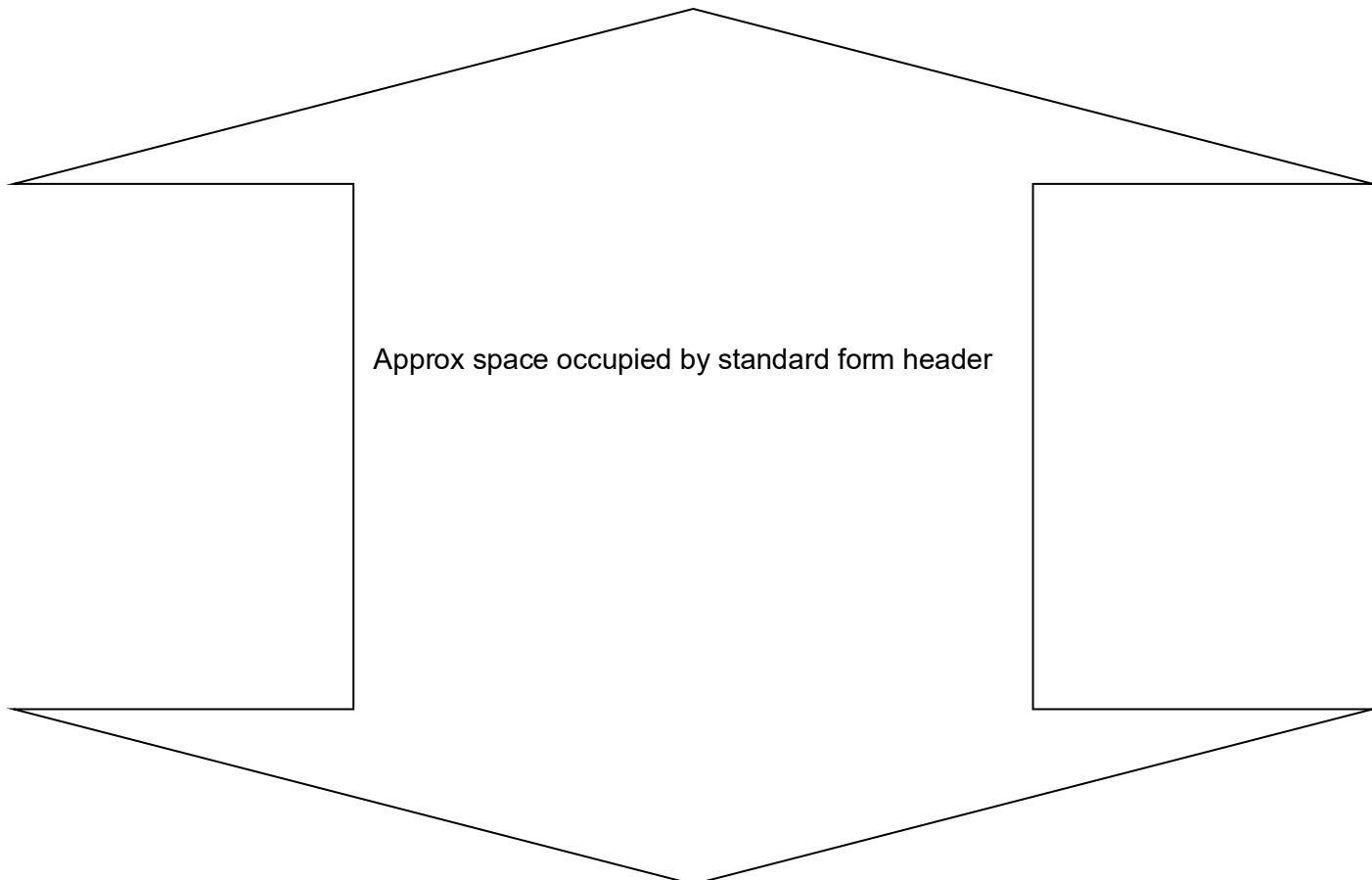




Dear Sir or Madam

Helping you claim the correct Inheritance Tax Nil Rate Bands

We're writing to you because you've recently treated an estate as an 'excepted estate'. This means you decided the estate was exempt, or of low value, so you didn't submit a full Inheritance Tax return (IHT400). We have nothing to suggest that this was incorrect, and this letter is intended as a reminder of the rules for future reference.

You must only treat an estate as an excepted estate if you're certain it meets the legal criteria. If you're not completely sure about all valuations and allowances, you must complete an IHT400.

This letter isn't a compliance check. We recognise the value of professional agents helping customers with their tax. We want to help you get things right when you apply for a grant of representation or confirmation.

Making sure your valuations and allowance claims are correct helps speed up the process and means we're less likely to have to contact you.

Our above reference CFS-2551347 isn't linked to any estate or individual. We won't reply to any letters quoting this reference.

What you need to do

To help you get future submissions right, please make sure you understand what information is needed before applying for a grant of representation or confirmation.

1. Please read the guidance below about excepted estates and understanding the different Nil Rate Bands.
2. Before you declare an estate's value for future grants of representation or confirmation, please check:
 - all valuations are as accurate as possible, including property, joint assets, liabilities and any lifetime gifts
 - you've correctly applied the Nil, Transferable, Residence and Transferable Residence Nil Rate Bands.
3. If you've treated any estates as excepted, you may want to review the information you provided when applying for a grant of representation or confirmation. If you're satisfied everything you declared was correct, you don't need to take any further action.
4. If you find an estate didn't meet the criteria for an excepted estate, or you're not sure about any valuations or allowances, please tell us. You can make a disclosure using the email address provided in the letter.

Excepted estates

An estate is only an excepted estate if it meets strict criteria set out in law. It must be either low value, exempt, or clearly within specific limits for asset values, lifetime gifts and use of allowances. You can find helpful guidance on what counts as an excepted estate on GOV.UK by searching 'How to value an estate for Inheritance Tax and report its value'.

You may find it helpful to refer to the Inheritance Tax Manual on GOV.UK by searching 'IHTM06000', which explains valuation rules, limits, and how to check whether an estate qualifies as 'excepted'. You can also search 'IHTM06043' for further guidance on how the excepted estates rules are applied in practice, including automatic discharge.

Understanding the different Nil Rate Bands

We'd like to clarify some of the rules for Nil Rate Bands, to support you in reviewing your excepted estates.

Nil Rate Band (NRB) up to £325,000

Any chargeable gifts in the 7 years before death use up the NRB. A gift includes giving up the right to something, such as the right to live in a house.

Transferable Nil Rate Band (TNRB) up to £325,000

This must be claimed within 2 years of death using the appropriate probate form – go to GOV.UK and search 'apply for probate'. If the grant of representation or confirmation is late, you must file an IHT400.

You need to check how the predeceased spouse or civil partner's estate passed – don't assume everything went to the surviving partner. You'll need to ask if the predeceased made any gifts above £3,000 a year.

If the deceased owned foreign property, joint property or benefited from a trust, it's likely the predeceased did too. These assets don't always pass under the UK will or intestacy. You'll need to find out how they passed at the first death, as they may have used up the TNRB.

Residence Nil Rate Band (RNRB) up to £175,000

Please use the RNRB calculator – go to GOV.UK and search 'how to work out and apply the residence nil rate band'.

There must be direct descendants who inherit – other family, friends or partners don't qualify. The amount tapers for estates of over £2 million. This figure includes all relievable and exempt assets.

If a partner is allowed to live in the residence, RNRB won't be due.

For a residence held in a trust, if at the time of the death it passes absolutely to the direct descendant, RNRB is due. In any other scenario, please contact us.

There has to be a qualifying residential property interest. Please see our Inheritance Tax Manual – go to GOV.UK and search 'IHTM46011' and 'IHTM46050'.

Transferable Residence Nil Rate Band (TRNRB) up to £175,000

This must be claimed within 2 years of death. You need to submit an IHT400 and IHT436.

The same taper as RNRB applies for estates of over £2 million.

Understanding when the downsizing allowance applies

You should check if any former residence was sold, given away, or downsized on or after 8 July 2015. You may be able to claim the downsizing allowance if (either):

- there's no residential property in the estate
- the current residence is worth less than the maximum RNRB of £175,000, or £350,000 where both TRNRBs are available.

The downsizing allowance only tops up the RNRB to the applicable maximum (£175,000 or £350,000). It can't increase the allowance over these limits.

For more information, go to GOV.UK and search 'how downsizing affects the additional IHT threshold'.

Contacting us

You can call us on 03000 523 040, Monday to Friday, 9am to 4pm. Or email us at assetscompliancecampaignsmailbox@hmrc.gov.uk

If you contact us by email for your client, please confirm they are happy to use email, understand the risks, and that you have both read the attached DSC1 Fact Sheet and are comfortable receiving attachments.

If you contact us, we can help you more quickly if you quote the reference number at the top of this letter and give us a daytime phone number.

More information

Go to GOV.UK and search 'Inheritance Tax' for more guidance, including on:

- when you need to submit an IHT400
- how to value assets for Inheritance Tax
- check if you need to send full details of the estate
- how the Nil Rate Bands work
- what to do if you believe an earlier submission may need correcting.

Yours faithfully

Wealthy Mid-Sized Business Compliance

Join the millions of taxpayers already using their Personal Tax Account to access a range of services. It takes just a few minutes to get started, go to www.gov.uk/personal-tax-account Or you can use the HMRC app.

To find out about the service and standard of behaviour you can expect from us, go to GOV.UK and search 'HMRC Charter'. For the standards tax agents are expected to follow, go to GOV.UK and search 'HMRC standard for agents'.



Corresponding with HMRC by email

Use the following information to decide whether you want to deal with us by email. We take the security of personal information very seriously. Email is not secure, so it's very important that you understand the risks before you email us. We will not deal with you by email unless you tell us you accept the risks.

About the risks

The main risks associated with using email that concern us are:

- confidentiality and privacy – there's a risk that emails sent over the internet may be intercepted
- confirming your identity – it's crucial that we only communicate with established contacts at their correct email addresses

- there's no guarantee that an email received over an insecure network, like the internet, has not been altered during transit
 - attachments could contain a virus or malicious code
-

How we can reduce the risks

We'll desensitise information, for example by only quoting part of any unique reference numbers. We can also use encryption. We're happy to discuss how you may do the same but still give us the information.

If you do not want to use email

You may prefer that we do not respond by email, for example because other people have access to your email account. If so, we're happy to respond by another method. We'll agree this with you either by telephone or in writing by post.

If you do want to use email

If you would like to use email as one of the ways HMRC will contact you, we'll need you to confirm in writing by post or email:

- that you understand and accept the risks of using email
- that you're content for financial information to be sent by email
- that attachments can be used

If you are the authorised agent or representative, we'll need you to confirm in writing by post or email that your client understands and accepts the risks.

Also:

- send us the names and email addresses of all people you would like us to use email with - you, your staff, your representative, your agent, for example
 - check that your junk mail filters are not set to reject and/or automatically delete HMRC emails
-

How we use your agreement

Your confirmation will be held on file and will apply to future email correspondence. We'll review the agreement at regular intervals to make sure there are no changes.

Opting out

You may opt out of using email at any time by letting us know.

More information

For more information about HMRC's privacy policy, go to GOV.UK and search 'HMRC Privacy Notice'.