



### When to use this form

Fill in this form if:

- the deceased died on or after 6 April 2012
- at least 10% of the person's net estate is left to a qualifying charity
- you want to pay the reduced rate of Inheritance Tax
- you want to elect to merge components of the estate
- you want to opt out of the reduced rate of Inheritance Tax

To check if the estate qualifies for the reduced rate of Inheritance Tax use the calculator at - [www.gov.uk/inheritance-tax-reduced-rate-calculator](http://www.gov.uk/inheritance-tax-reduced-rate-calculator)

If you're electing to merge estate components or to opt out of the reduced rate, this form must be signed by all appropriate persons for each estate component affected (go to the notes below).

### Deadline

You must send this form to us within 2 years of the death.

### Withdrawal of election

An election to merge estate components or to opt out of the reduced rate can be withdrawn by writing to HMRC.

This must be signed by the appropriate persons for the estate components affected and made within 2 years and 1 month of the death.

### Qualifying charities

A qualifying charity is one that:

- is established in the EU or other specified country
- meets the English law definition of a charity
- is regulated in the country of establishment, if that is a requirement in that country
- has managers who are fit and proper persons

## Reduced rate

### Notes

The reduced rate of Inheritance Tax only applies to estates where the date of death is on or after 6 April 2012 and at least 10% of the estate is left to a qualifying charity.

This schedule is also for estates where the appropriate person(s) (go to note 1 below) want to merge estate components or opt out of the reduced rate of Inheritance Tax. All appropriate person(s) for each estate component that wants to merge or opt out of the reduced rate must sign the declaration on page 4.

1 The 'appropriate person(s)' are those liable for the Inheritance Tax on the value of the assets for each estate component; for example, the executors, the administrators, surviving joint owner(s), trustee(s) or donee(s). If more than one group is liable for the tax, the 'appropriate persons' are those who are actually paying it. Tell us the capacity in which you're signing the form. All appropriate person(s) must sign the form. We can't accept a claim signed by agents.

**Deceased's surname**

**Deceased's first name(s)**

**Date of death** *DD MM YYYY*

**IHT reference number**

### Help

Read the notes before filling in this form.

For more information or help, or another copy of this form:

- go to [www.gov.uk/inheritance-tax](http://www.gov.uk/inheritance-tax)
- phone our helpline on 0300 123 1072 - if calling from outside the UK, phone +44 300 123 1072

### Your rights and obligations

Your Charter explains what you can expect from us and what we expect from you.

For more information go to [www.gov.uk/hmrc/your-charter](http://www.gov.uk/hmrc/your-charter)

2 A person's estate for Inheritance Tax is made up of all the property to which they're beneficially entitled, so there may be a number of chargeable elements to the estate. The legislation providing for the reduced rate of Inheritance Tax refers to these elements of the estate as 'components'. The reduced rate applies separately to each component that makes up an estate, so it's possible that 1 component may pay tax at 36% whilst others pay tax at the full rate. For the purposes of applying the reduced rate of Inheritance Tax, the legislation splits the estate into 3 components:

- the survivorship component (joint assets passing to the other joint owner by survivorship or under a special destination in Scotland - it may also include any overseas assets that pass under the law of the country in which it is situated)
- the settled property component (assets in trust)
- the general component (assets solely owned and joint assets owned as 'tenants in common')

3 The baseline amount for a component is the chargeable value of that component after adding back the amount that qualifies for charity exemption. The legislation sets out 3 steps in arriving at the baseline amount as follows:

Step 1 – establish the net value of each estate component (after deduction of liabilities, reliefs and exemptions, including the charity exemption)

Step 2 – deduct from step 1 the appropriate portion of the available nil rate band (go to note 4)

Step 3 – add the amount of the charity exemption to the answer at step 2 - this will give you the baseline amount

To qualify for the reduced rate the amount given to charity must be at least 10% of the baseline amount.

4 The available nil rate band is the one that applies at death, increased as appropriate by any transferable nil rate band and reduced by the amount used by any lifetime gifts subject to Inheritance Tax (don't include gifts with reservation in working out the available nil rate band).

The appropriate proportion is the amount of the available nil rate band apportioned between all estate components which will include gifts with reservation.

Example: a person died on 17 May 2012 leaving an estate valued at £750,000, after deduction of liabilities, 10% of the residue of their estate is left to a qualifying charity.

They had a joint bank account with their son, which had a balance of £60,000 at death. Both contributed equally to the account so £30,000 is included in the estate as joint property passing by survivorship. This estate has 2 components: a survivorship component and a general component. The donated amount in the general component is £75,000.

The baseline amount for the general component is calculated as follows:

Net estate on death	£675,000 (step 1)
Less portion of nil rate band	<u>£311,170 (*as below)</u>
	£363,830 (step 2)
Add back charity exemption	<u>£75,000</u>
Baseline amount	£438,830 (step 3)

\* net value of general component divided by (net value of general component plus survivorship component) multiplied by nil rate band that is  $£675,000 \div £705,000 \times £325,000 = £311,170$ .

10% of £438,830 is £43,883 so the general component of this estate qualifies for the reduced rate as the amount given to charity is more than 10%, that is £75,000.

## Elections

**Do you wish to make an election to merge components of the estate?**

No  Yes

If Yes, then all the appropriate persons for the components of the estate being merged must sign the declaration.

**Do you wish to opt out of the reduced rate of Inheritance Tax?**

No  Yes

If Yes, then you don't need to fill in the rest of this form but all the appropriate persons for the affected component must sign the declaration.

## Working out the Inheritance Tax

The boxes on this form will give you the values needed to use the reduced rate calculator - go to [www.gov.uk/inheritance-tax-reduced-rate-calculator](http://www.gov.uk/inheritance-tax-reduced-rate-calculator)

If an election to merge components has been made, you should add together the figures from the components concerned and enter the total as 1 component. If the estate needs grossing up, or interaction applies or quick succession relief is due, you may send this form to HMRC Trusts and Estates Inheritance Tax and we'll work out the values for you.

### Estate

Total gross value of all estate components	Value of Inheritance Tax nil rate band (including transferable nil rate band)	Value of gifts subject to Inheritance Tax (not including gifts with reservation)
<input type="text" value="1"/>	<input type="text" value="2"/>	<input type="text" value="3"/>

### Gross value of each estate component

Assets owned outright by the deceased and assets jointly owned as tenants in common	Assets owned jointly and passing by survivorship	Assets in trust	Assets subject to a gift with reservation
<input type="text" value="4"/>	<input type="text" value="5"/>	<input type="text" value="6"/>	<input type="text" value="7"/>

### Deductions

Liabilities		
<input type="text" value="8"/>	<input type="text" value="9"/>	<input type="text" value="10"/>

Reliefs (for example agricultural or business relief)			
<input type="text" value="11"/>	<input type="text" value="12"/>	<input type="text" value="13"/>	<input type="text" value="14"/>

### Exemptions

Charity exemption		
<input type="text" value="15"/>	<input type="text" value="16"/>	<input type="text" value="17"/>

Other exemptions (for example spouse or civil partner exemption)		
<input type="text" value="18"/>	<input type="text" value="19"/>	<input type="text" value="20"/>

### Net value of each estate component

<input type="text" value="21"/>	<input type="text" value="22"/>	<input type="text" value="23"/>	<input type="text" value="24"/>
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Box 21 = box 4 minus boxes 8, 11, 15 or 18

Box 22 = box 5 minus boxes 9, 12, 16 or 19

Box 23 = box 6 minus boxes 10, 13, 17 or 20

Box 24 = box 7 minus box 14

## Calculation of Inheritance Tax at the reduced rate

To calculate the Inheritance Tax payable at the reduced rate, you must apportion the nil rate band between the components of the estate first. If you used the reduced rate calculator this will give you the nil rate band figure to enter in box 26 below, for the components at reduced rate. Write the balance of the nil rate band for components at full rate. Go to the notes on page 2.

	Components at reduced rate	Components at full rate
25 Net value of estate components after charity exemption	<input type="text"/>	<input type="text"/>
26 Inheritance Tax nil rate band	<input type="text"/>	<input type="text"/>
27 Value chargeable to tax Box 25 minus box 26	<input type="text"/>	<input type="text"/>
28 Inheritance Tax Box 27 x 36% or 40%	<input type="text"/>	<input type="text"/>

## Declaration

This declaration only needs to be signed if you're merging estate components or opting out of the reduced rate.

I/we, the undersigned, wish to elect to merge estate components under schedule 1A, paragraph 7 of the Inheritance Tax Act 1984 or to opt out of the reduced rate under schedule 1A, paragraph 8 of the Inheritance Tax Act 1984.

<b>Name</b> <input type="text"/>	<b>Name</b> <input type="text"/>	<b>Name</b> <input type="text"/>
<b>Component title</b> <input type="text"/>	<b>Component title</b> <input type="text"/>	<b>Component title</b> <input type="text"/>
<b>Capacity in which signed</b> for example, executor, transferee, trustee <input type="text"/>	<b>Capacity in which signed</b> for example, executor, transferee, trustee <input type="text"/>	<b>Capacity in which signed</b> for example, executor, transferee, trustee <input type="text"/>
<b>Signature</b>  Date DD MM YYYY <input type="text"/>	<b>Signature</b>  Date DD MM YYYY <input type="text"/>	<b>Signature</b>  Date DD MM YYYY <input type="text"/>
<b>Name</b> <input type="text"/>	<b>Name</b> <input type="text"/>	<b>Name</b> <input type="text"/>
<b>Component title</b> <input type="text"/>	<b>Component title</b> <input type="text"/>	<b>Component title</b> <input type="text"/>
<b>Capacity in which signed</b> for example, executor, transferee, trustee <input type="text"/>	<b>Capacity in which signed</b> for example, executor, transferee, trustee <input type="text"/>	<b>Capacity in which signed</b> for example, executor, transferee, trustee <input type="text"/>
<b>Signature</b>  Date DD MM YYYY <input type="text"/>	<b>Signature</b>  Date DD MM YYYY <input type="text"/>	<b>Signature</b>  Date DD MM YYYY <input type="text"/>