

Notes to help you fill in form IHT207(2006)

These notes only apply when the deceased died on or after 1st September 2006. We recommend that you take time to read these notes as they will help you to fill in form IHT207 correctly. You may make yourself liable to financial penalties if the information you give in the form is wrong because of your negligence.

This guide is designed to help you fill in form IHT207. It cannot explain everything about inheritance tax.

If you have any questions about inheritance and probate that this guide does not answer, or if you need any help to fill in form IHT207 visit our website at www.hmrc.gov.uk/cto or telephone our helpline on

0845 30 20 900

Our forms and notes, including IHT207, are also available on the Internet.

If you need to write to us, our addresses (including DX addresses for solicitors and banks etc) are

Nottingham
HM Revenue & Customs, Inheritance Tax
Ferrers House
PO Box 38
Castle Meadow Road
NOTTINGHAM
NG2 1BB

DX701201 NOTTINGHAM 4

Belfast
HM Revenue & Customs, Inheritance Tax
Level 3
Dorchester House
52-58 Great Victoria Street
BELFAST
BT2 7QL

DX2001 NR BELFAST 2

When you have finished filling in form IHT207 and any other forms required by the Probate Service, you should send all the forms for

- applications in England & Wales, to your District Probate Registry (see booklet PA2)
- applications in Northern Ireland, to either the Probate and Matrimonial Office in Belfast or the District Probate Registry in Londonderry (see booklet "Dealing with a deceased person's estate").

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Some definitions

In this guide, we refer to the person who has died as "the deceased".

We refer to the deceased's husband or wife as their "spouse". A spouse is a person who is legally married to someone else.

A "civil partner" is someone who has registered a civil partnership with another person.

When we refer to form IHT207 in this guide we mean form 'IHT207(2006)'

Introduction

You need a grant of representation to get access to most of the assets in the deceased's estate. The most common types of grant are

- a grant of probate, where the deceased left a Will, and
- a grant of letters of administration, where the deceased did not leave a Will.

Before you can get a grant, you need to pay any inheritance tax that is due, or be able to show that no inheritance tax is payable. If there is tax to pay, or if the affairs of the deceased do not meet certain conditions, you will have to provide a formal account of the estate by filling in form IHT400 and sending it to us. Where the deceased died abroad and you do not think there will be any tax to pay you should start with form IHT207. It will guide you through the various conditions that apply and help you to decide whether or not you need to fill in a formal account.

Where do I start?

For many people, this will be only the first or second time that they have had to deal with probate and inheritance tax. In most estates, matters are very straightforward and form IHT207, together with these notes, will help you to get things right. But before we start, here are some answers to the questions that are most often asked of our helpline.

Frequently asked questions

Am I using the right form?

You can use form IHT207 provided that

- the deceased died abroad and had their permanent home outside the United Kingdom (UK),
- their only assets in the UK were cash or quoted stocks and shares,
- those assets were held in their own name, or jointly owned, and
- the gross value of those assets was less than £150,000.

You may find that as you go through the form that some other conditions mean that you must stop and fill in a formal account instead. But provided these initial conditions are met, you can start with form IHT207.

What do you mean by 'permanent home'?

Your permanent home is the country where you intend to live for the remainder of your life. It is the country whose laws decide, for example, whether a Will is valid, or how the estate of a person who has not made a Will is dealt with when they die.

What do you mean by 'gross value'?

The gross value is the sum total of all the assets that make up the deceased's estate before any of their debts are taken off.

What do you mean by 'estate'?

For inheritance tax purposes, a person's estate is made up of

- assets in the sole name of the deceased
- their share of any jointly owned assets
- nominated assets
- assets they have given away, but kept an interest in
- assets from which they benefit, where they have elected not to pay the income tax charge
- assets in certain types of trust, in which the deceased had a right to benefit
- an alternatively secured pension fund where the deceased was entitled to the benefit in their own right **or** because they were a dependant of someone who had an unsecured or alternatively secured pension fund

The total of these assets is added to the chargeable value of any gifts made within

seven years of the death, to work out the amount on which tax is charged.

An unsecured pension fund is a sum of money, in a registered pension scheme, which has

- been earmarked to provide pension benefits for an individual **and**
- not been used to purchase the benefits from the fund or an annuity (other than a short-term annuity, whose payments cease before the age of 75).

An alternatively secured pension fund is an unsecured pension fund for the benefit of someone over the age of 75.

Where the deceased died abroad, you can fill in form IHT207 only if the deceased's UK estate was made up of assets

- in their sole name, or
- owned jointly with someone else.

Jointly owned assets

What about assets owned jointly with other people?

Bank and building society accounts and stocks and shares are the assets most usually owned in joint names. If the deceased owned any assets jointly with another person or people, you will need to include a value for the deceased's share of the assets in the estate.

Where assets are owned jointly by two or more people, the way in which those assets are owned makes a difference for inheritance tax and probate.

If the deceased

- held an asset with someone else, and
- wanted their share to pass automatically to the other joint owner,

we call the asset a '**joint asset**'. You should work out the value of the deceased's share in a joint asset by dividing the value of the whole asset by the number of joint owners and include that value in box B.

If the deceased

- held an asset with someone else, and
- wanted their share to pass under their Will (or if they did not make a Will, under the rules of intestacy) to someone other than the joint owner or joint owners,

the joint owners hold the asset as '**tenants-in-common**'. The deceased's share is usually in proportion to the money they put up to buy the asset or the amount they put into a joint account.

What you should do first

So what do I do now?

Make a thorough search of all the deceased's papers about their financial affairs. Make a rough list of their assets, investments and their other financial interests in the UK and any debts they owed in the UK when they died.

Bank statements and building society passbooks may help you to discover whether any gifts were made. Remember that although the income from certain assets such as PEPs, TESSAs and ISAs is not liable to income tax, both the capital and the income are liable to inheritance tax and must be included. You may also find it useful to ask others what they knew of the deceased's affairs. People who might be able to help are

- any solicitor or accountant who dealt with the deceased's affairs,
- the deceased's close family (especially to discover gifts),
- anyone named in the Will who might know about the deceased's affairs,
- any close business associates of the deceased,
- the deceased's bank, stockbrokers or other financial advisors (the bank may have other papers or valuables lodged with them for safe keeping).

You will need to make quite detailed enquiries so that you can find out about everything that makes up the deceased's 'estate'. It is very important that you provide full and accurate information because you may make yourself liable to a financial penalty if you provide incorrect information negligently or fraudulently.

When you have completed your rough list of assets etc, you will need to find out the value of each of the assets concerned. It is important that you value the assets correctly, because you may make yourself liable to a financial penalty if you are negligent in arriving at the value.

What do I do when I have got the assets and the values sorted out?

When you have got a good idea about the assets that make up the estate, and their values, add up the figures. If the gross value of all the assets is less than £150,000, continue to fill in form IHT207.

But, if the gross value is

- **more than £150,000, or**
- **the assets are other than cash or quoted stocks and shares**

do not fill in form IHT207 - you will need to fill in form IHT400.

Valuing assets

How do I value all the assets?

For inheritance tax purposes, you have to value all the assets as if each item had been sold on the open market on the date the person died. This is called the 'open market value'. It represents the realistic selling price of an asset, not an insurance value or replacement value.

There is more detailed help about valuing different types of assets later on in these notes.

When you write the value of assets or debts on the form, do not include pence and round down to the nearest pound. If you leave a box blank we shall assume you mean that the deceased did not own any assets of the type described.

Valuing assets owned jointly

It does not matter whether the assets are owned as joint assets, or as tenants-in-common, the starting point in valuing of the deceased's share is their share of the whole value. So if three people contributed equally to a bank account with £900 in it and it was held as a joint asset, the deceased's share will be £300.

But sometimes a bank account may be held in joint names just for convenience. For example, if an elderly person can no longer go out, they may add a son or daughter's name to their bank account so the son or daughter can operate the account for them.

Where this happens, if the deceased provided all the money in account, you should treat the account as if it was their sole name and include the full balance of the account in box 8.1. But the opposite also applies, and if the deceased did not provide any of the money in the account, there is no need to include anything about the joint account on form IHT207.

Estimating values

What do I do if I cannot get an accurate value?

If you do not know the exact amount or value of any item, do not put off applying for the grant just because you do not know the exact figures. You may use an estimated figure.

You should not guess at a value, but try to work out an estimate based on the information available to you. If you do include an estimate, tick the box alongside the figures.

Filling in form IHT207

Page 1

About the person who has died

Fill in the top part of form IHT207 giving the name, date of death and other information that we ask for about the deceased.

For marital or civil partnership status please select the appropriate code and enter it in the box provided.

Say what the deceased's occupation was and whether or not they were retired and give their domicile at death.

Tick boxes 1.9 - 1.11 to show which relatives survived the deceased, but write the **number** of children and/or grandchildren in boxes 1.12.

About the estate

Question 2

You must still answer 'Yes' to this question if the deceased

Deceased's place of birth

- was born outside the United Kingdom, but
- their parents were British and had not settled permanently in the country where the deceased was born.

But, you can answer 'No' to this question if the deceased

- was born in the United Kingdom, but
- their parents were not British and had not settled permanently in the UK.

If you answer 'Yes' to question 2, stop filling in form IHT207 now - you will need to fill in form IHT400.

Question 3

You must answer 'Yes' to this question if the deceased lived in the UK for any significant periods during the last 20 years of their life.

Deceased's residence

You can answer 'No' to this question if the deceased only visited the UK occasionally, for example on holiday or to visit relatives.

You can also answer 'No' to this question if the deceased lived here for a period of time not exceeding 17 years and had returned to their country of origin with the intention to stay there permanently.

If you answer 'Yes' to question 3, stop filling in form IHT207 now - you will need to fill in form IHT400.

Question 4

Assets in trust

A trust is an obligation binding a person who legally owns the assets (the 'trustee') to deal with the assets for the benefit of someone else. A trust might be in the form of a trust deed or set up by a Will.

Examples of when a person will benefit from assets held in a trust are when they do not own the assets but they have the right to

- receive the **income** from assets (for example dividends from stocks and shares or interest from a building society account) **but not the assets themselves**,
- receive payments of a fixed amount each year, often in regular instalments, **or**
- live in a house and use the contents without paying rent.

You must answer 'Yes' to this question, if the deceased had the right to benefit from a trust **and the trustees were resident in the UK**, no matter what the value of the assets were.

If you answer 'Yes' to question 4, stop filling in form IHT207 now - you will need to fill in form IHT400.

Question 5

Gifts of UK assets

You must answer 'Yes' to this question if the deceased made any gifts from their UK assets. However, you can answer 'No' if the **only** gifts made by the deceased were

- less than £3,000 per year, or
- they were outright gifts to individuals made more than 7 years before the death.

If you answer 'Yes' to question 5, stop filling in form IHT207 now - you will need to fill in form IHT400.

Question 6

Joint assets

You must answer 'Yes' to this question if the deceased owned any assets in joint names. You should describe each joint asset and give the value of the whole of it in box 7.

If the assets were joint assets you should include the value of deceased's share in box B.

If the assets were owned as tenants-in-common, you should include the value of the deceased's share in box 8.3.

8. Assets in the United Kingdom

You must include the gross value for both the deceased's own assets and their share of any assets held in tenants-in-common in section 8. Gross value here means the value of the assets before deduction of any relief or exemption. If you need to include an estimated value, read the appropriate paragraph earlier in this guide.

Box 8.1

Cash, money in banks and building societies

You should include in this box the total figure for all the money in bank and building society accounts and cash when the person died. This will include

- cash held by the deceased, kept at home or elsewhere, such as a safety deposit box,
- money in current, deposit, high interest, fixed interest, term, bond and money market accounts,
- accounts with supermarkets or insurance companies,
- National Savings Bank accounts,
- Premium Bonds,
- TESSAs,
- cash in an ISA,
- travellers' cheques.

The figure should include interest that was owed up to that date but was not actually paid into the account. You can get these figures from the bank or other organisation holding the account.

You should also include here any refunds due to the deceased, such as income tax refunds.

Box 8.2

Stocks and shares
quoted on the Stock
Exchange

You should include in this box

- UK government securities such as Treasury stock, Exchequer stock, Convertible stock and Consolidated Stock,
- all stocks, shares, debentures and other securities listed on the Stock Exchange Official List,
- Unit trusts,
- Investment trusts,
- Open-Ended Investment Companies,
- PEPs
- shares in an ISA.

You should also include any dividends that were due, but had not been paid before the death.

Annex 1 tells you how to value quoted stocks and shares.

Box 8.3

Assets held as
tenants-in-common

If the deceased owned any bank accounts or stocks and shares as tenants-in-common, include the value of the deceased's share of these assets in this box.

Add up boxes 8.1 to 8.3 and write the answer in box A.

Box 8.4

Share of joint assets
passing by survivorship

If the deceased owned any joint assets, you should write the total value of the deceased's share of these joint assets in this box.

Add up boxes A and B and write the answer in box C.

If the value in box C is more than £150,000 stop filling in form IHT207 now - you will need to fill in form IHT400.

9. Debts of the estate

Box 9.1

Other debts owed in
the United Kingdom

You should only include in this box debts owed in the UK when the deceased died, for example, stockbrokers fees. **Do not** include fees for professional services carried out **after** the death, such as valuation fees.

Box 9.2

Share of other debts
payable out of joint assets

You should include in this box the deceased's share of any other debts owed in the UK when the deceased died that are payable out of jointly owned assets.

Add up boxes D & E and write the answer in box F.

Take the value in box F away from the value in box C and write the answer in box G.

If the value in box G is more than £150,000, stop filling in form IHT207 now - you will need to fill in form IHT400.

Signing the form

Each person who will be applying for a grant should read the statements above the signatory boxes. In signing the form each person is saying that they have read the statements and will comply with their terms. Each person applying for a grant should write their name and address in one of the boxes, sign and date

the form.

Summary

Copy the figures from boxes A and D into the respective boxes in the summary. Take box D away from box A and put the answer in box H.

What to do when you have finished the form

The following paragraphs provide answers to the questions that are most often asked of our helpline.

Do I need a copy of the form?

Yes, we recommend that you keep a copy of the signed form as you will need it should the value of the estate change after the grant such that tax becomes payable.

What about all the papers and records I have used to fill in the form?

You do not need to send us copies of any of the other papers you have used to fill in form IHT207 - just the form itself and any continuation page(s) for box 7. But you should keep the papers and records safe in case we ask for you them.

When will I hear from you if you want to see the papers and records?

Provided you have used form IHT207 correctly, it is unlikely you will hear from us. We have 35 days after the issue of the grant to write to you about the information you have given in the form. If we do not write to you in that time, you will not have to pay any inheritance tax. **However, this does not apply if there is anything about the estate you have not told us on this form.**

The shaded paragraphs are for people who are applying for a grant without the help of a solicitor or other agent in England & Wales.

What do I do now?

Read the booklet PA2 and follow the instructions to fill in form PA1. When you have gathered together all the papers needed to apply for probate, send form IHT207 and those papers to the relevant probate registry as directed in booklet PA2.

What happens then?

Booklet PA2 tells you what will happen in detail, but briefly, the probate registry will ask you to come for an interview. Provided everything is satisfactory, the probate registry will send you the grant and will send form IHT207 to us.

What happens after I get the grant?

You can begin to deal with the estate by collecting in the assets and paying the debts and legacies.

What to do if the value of the estate changes

What do I do if the value of the estate changes?

If, after you have got the grant, you find other assets, or you discover that the value of an asset has changed, you should amend your working copy of the form. If, having made these changes, the value at box C is more than £150,000, or if the assets were not cash or quoted stocks and shares, you will need to tell us about the changes.

How do I tell you about changes?

You should fill in a Corrective Account, form C4, to tell us about the changes. You can get this form on the Internet or from our helpline 0845 30 20 900. Copy the figure from box G on form IHT207 to page 4 of the Corrective Account and fill in the rest of that page.

You must send form C4 to us within 6 months of finding out about the change to the estate. If you are late in sending the form to us, you may make yourself liable to financial penalties.

If there is no tax to pay send the C4 and a copy of the IHT207 to either the Nottingham or Belfast office, depending whether you applied for a grant in England & Wales or Northern Ireland. If you calculate that there is no tax to pay, send the C4 and a copy of the IHT207 and your cheque for the tax and any interest that is due to the Nottingham office.

Confidentiality

You have a right to the same high degree of confidentiality that all taxpayers have. We have a legal duty to keep your affairs completely confidential and cannot give information to others about an estate, trust or transfer even if they have an interest in it, unless the law permits us to do so. This means we may only discuss a taxpayer's affairs with that person, or with someone else that the taxpayer has appointed to act for them. In the case of someone who has died, this means that we can only discuss an estate with the people (or person) who have signed and delivered form IHT207 that is the executors or administrators, or another person appointed to act for them; usually a solicitor or an accountant.

Data Protection Act

HM Revenue & Customs is a Data Controller under the Data Protection Act. We hold information for the purposes of taxes, social security contributions, tax credits and certain other statutory functions as assigned by Parliament. The information we hold may be used for any of HM Revenue & Customs' functions.

We may get information about you from others, or we may give information to them. If we do, it will only be as the law permits, to

- check accuracy of information
- prevent or detect crime
- protect public funds

We may check information we receive about you with what is already in our records. This can include information provided by you as well as others such as other government departments and agencies and overseas tax authorities. We will not give information about you to anyone outside HM Revenue & Customs unless the law permits us to do so.

Annex 1

Valuing shares quoted on the Stock Exchange

Introduction

You do not have to get a professional valuation for quoted stocks and shares. You can value shares quoted on the London Stock Exchange by finding the price of the shares in a newspaper. The Financial Times has the most comprehensive listings and may be available in your local library. Alternatively, you can use the Stock Exchange Historic Price Service.

How to value shares

First of all, make a list of all the shares, including the name, nominal value and type of shares - for example, 'Abbey National Plc 10p ordinary shares'. Then, if you are using a newspaper, find the shareholding and write down the price given for each shareholding. To find out the value of the shares, multiply the number of shares by the price given.

So if the deceased held 1,250 shares and the price was 1093½p, the value for the holding is £13,668.75.

Sometimes, for unit trusts, the newspaper may show two prices, take the lower one.

You should take the value of the shares on the day the person died – remember that a newspaper printed on the day the deceased died will have share prices for the day before. If the deceased died on a day when the Stock Exchange was closed take the price for either the next or last day when the Stock Exchange was open, whichever is the lower. For example, if the person died on a Sunday you can take the price for either the Monday after or the Friday before.

Keep your list with the deceased's papers and other records.

Stock Exchange Historic Price Service

The Stock Exchange can tell you what the price was for all the stocks and shares on the Stock Exchange Daily Official List.

The Internet service (www.londonstockexchange.com) delivers the Historic Price reports on-line, while you wait, for prices after 10 June 1999.

Requests for prices before 10 June 1999 need to be made in writing. You should provide a full description of the stocks and shares you need a quotation for, you will also need to give the date of death.

You can send your request in writing by:

e-mail: products@londonstockexchange.com
fax: 020 7797 1952, or
post: Historic Price Service
London Stock Exchange
10 Paternoster Square
LONDON EC4M 7LS

There is a charge for both the Internet and the manual service. Please check the London Stock Exchange website to find out what the current charges are.

The Stock Exchange will tell you what the end of day quotation was for each of shares. The price will appear as a range such as 1091 - 1101p. To work out the value of the shares, you need to work out the 'quarter-up' price. This is the lower price, plus one quarter of the difference between the two prices. So, in this example, the price would be 1091p plus one quarter of 10p or 2½p. The price for the shares would be 1093½p.

Dividends

If a dividend was due when the deceased died, the shares will be marked 'xd'. Such a marking indicates that the dividend will be paid to the deceased and you will need to include a value in the estate. Usually, the dividend will be paid to the estate before you need to apply for a grant, in which case you should add the net value of the dividend to the value of the shares and put the total value in box 8.2.

If you are ready to apply for a grant, but the dividend has still not been paid, put the value of the shares only in box 8.2. As the value for the shares will now be an estimate, tick the box alongside.

This booklet has no legal power.
It reflects the tax law at the time of writing.
We may need to take into account special circumstances
for a particular estate.

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