Trust and inheritance tax matters

Inheritance Tax and trusts

01 September 2019

ATT and CIOT representatives attended a meeting of the Trusts and Estates Agent Advisory Group in July 2019 which discussed a number of practical trust and estate matters.

The Trusts and Estates Agent Advisory Group meets regularly through the year to discuss practical matters to do with trusts and estates. Feedback on areas of concern for future meetings is always welcome.

Postal problems

There is a potential issue with HMRC's post scanning, with reports of agents being asked to resend information that they had supplied with original IHT forms. It may be that paperwork is getting separated during scanning. If HMRC have to request information again it is frustrating for all concerned. HMRC have asked for examples of where items of paperwork are going missing in order that they can investigate this further.

To facilitate identification and to minimise delay in repayment cases involving forms C4 and IHT30, HMRC suggest that a covering letter includes 'Repayment' in the heading.

Trust returns

HMRC have introduced a new system for dealing with SA900 trust self-assessment tax returns. As a result of issues with how the computation is presented, they are holding back on processing 2018 /19 paper returns until this is resolved. They anticipate that processing will start in August and will put in extra resources at that point to get back on track. In the meantime, HMRC have asked our members not to chase paper returns.

The Trust Registration Service (TRS)

An upgraded TRS system went into private beta in July and HMRC are pleased with the progress so far. Meanwhile, HMRC are still working on the facility to update existing registrations. At the time of writing, we do not have a timescale for when this facility will become available.

Of course, the TRS system will need revising again in the light of The Fifth Money Laundering Directive. At present, no one can be sure of the final shape of the service as the process of consultation and policy development is still ongoing.

HMRC are also reviewing guidance for the TRS in the context of a wider review of their trust guidance.

IHT400 and IHT100 returns

HMRC are very conscious of processing delays in this area and agree that the current position is unacceptable. They are doing what they can with limited resources. In March 2019, with the threat of higher probate fees, HMRC received four times the volume of applications that they had the capacity to process. Up until that point, HMRC were making progress with their postal backlogs. The volume of applications has not yet dropped back enough to allow HMRC to restart the process of catching up.

The volume of IHT400 work had also had a knock on effect on IHT100 processing – which was already behind – as HMRC have to prioritise probate work. In order not to lose more time in phone calls, agents are requested not to chase IHT100 forms until after a year has elapsed. Everyone is aware that this is highly unsatisfactory, and HMRC are doing all that they can.

The IHT421 now includes a tick box so that those authorised to provide probate services may ask that the processed IHT421 is sent directly by HMRC to the probate registry, so minimising delay.

Master Customer Journey

HMRC have carried out a number of workshops (one attended by ATT representatives earlier this year) looking at how to improve the experience of interacting with HMRC for trustees and their agents. The work has identified 32

potential improvements, a number centred on digital solutions, which HMRC are exploring.

The Second OTS Inheritance Tax Review

With Brexit still unresolved, it is unlikely that any of the recommendations will be taken up imminently but HM Treasury are keen to hear from us if there are any suggestions which we think are good or bad and the reasons why.

Guidance on registering estates

Finally, we are pleased to report that the GOV.UK guidance on when an estate needs to register for self-assessment has been updated to include details of the informal payment procedure. A member alerted both us and HMRC that the original guidance did not mention this option, which was only set out in HMRC manuals. We are continuing to work with HMRC to improve the clarity of the updated GOV.UK guidance.

Please send your thoughts on any of the above to atttechnical@att.org.uk or techincal@ciot.org.uk or direct to us on our emails below.