Trusts and IHT Update

Inheritance Tax and trusts

07 May 2021

ATT and CIOT representatives attended a meeting of the Trusts and Estates Agent Advisory Group in February 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.

IHT400 processing

Despite a significant increase in IHT400 submissions compared to the previous year, HMRC tell us that they are processing well over 90% of those received within their 15 working day target. Once processed, the IHT421 is then emailed direct to HMCTS, which are currently taking up to eight weeks to process applications. IHT421 delays within HMRC are often due to a lack of payment and HMRC are monitoring cases which are taking longer to process than expected.

HMRC have also carried out significant work to catch up on the backlog of IHT100s and estimate that very low numbers are being processed outside their target of 15 working days.
In the absence of reports to the contrary, we therefore assume that the processing of IHT400/IHT100 is not causing members any issues. Please let us know if you are experiencing anything different.

IHT calculations

Members have raised concerns with us about the lack of repayment calculations or calculations where the IHT due is nil. HMRC have advised this is because staff are unable to print computations while working from home and there are limited staff in the office. There is little that can be done to change this until more staff are able to

return to the office.

Fifth Anti-Money Laundering Directive – delay in implementation

The Fifth Anti-Money Laundering Directive extends the requirement to register on the Trust Registration Service to many non-tax paying trusts which are currently excluded. It also extends the amount of information that taxable trusts must report.

As the IT system for registrations is not expected to open until summer 2021, HMRC have confirmed that the current deadline of 10 March 2022 will be extended to ensure that agents have at least 12 months from the system being available to update the register as required. HMRC will be introducing legislation in due course to amend the March 2022 date.

This extension is very welcome, but it will still leave agents with a significant amount of work to do in that 12-month period. In the meantime, work on the guidance is also ongoing, which will be crucial in helping trustees and their agents decide which trusts are now in scope. Both ATT and CIOT are engaged with HMRC on their project to produce a new manual and we are happy to receive feedback on areas of concern or points which you think could be usefully clarified in the manual.