



Tax on Bereavement

Death and taxes are two certainties that you can be sure of. It's a difficult subject to think about and even more difficult to deal with and it's one of the times that tax can often go wrong. The implications are not just limited to the person who has died but can also have a significant impact on those left behind.

Are you an executor, administrator or personal representative?

- Executor – If somebody has died and named you in their will to take care of their estate then you will be known as the executor.
- Administrator – If somebody has died without making a will, known as intestate, then the person looking after the estate is known as an administrator (or executor in Scotland).
- Personal representative – Can either be the executor or administrator but will normally need a grant of representation to be awarded by the court. This is known as a grant of probate for an executor and a grant of letters of administration for an administrator.

It is the responsibility of the person dealing with the estate to check that the information HMRC hold on the deceased is correct and as part of this, HMRC will need to be notified who the personal representative is. Once notified of the death, HMRC will check that the correct amount of tax has been paid by the deceased and will then write to the personal representative to advise if they feel any further action needs to be taken. If any tax has been under or over paid, a 'P800 calculation' will be sent to the personal representative. If a self-assessment tax return needs to be submitted on behalf of the deceased, HMRC will now allow this to be submitted without having to wait for the end of the tax year.

Death of a spouse or civil partner

The death of a spouse, civil partner or partner can affect the tax position of the survivor. Common examples are where the survivor inherits a new income or sees changes to the amount of current income or allowances they receive, or they may acquire property or investments that generate income such as interest on savings or rent from a property.

It is not unusual for a non-taxpayer to become a taxpayer because they have inherited income. HMRC will review the new tax position of the individual, or decide if a self-assessment return is required, based on the information they receive from the DWP, pension providers and banks/building societies. It is important to make sure that HMRC has all of the correct information, so that the correct amount of tax is paid and this is the responsibility of that individual.

The full amount of Marriage Allowance, Married Couple's Allowance and Blind Person's Allowance is available for the year of death and are transferrable between spouses and civil partners.

Inheritance Tax

Inheritance Tax can be charged on the estate of someone who has died. The estate includes money, property and possessions. If the value of your estate is below the £325,000 threshold or if you leave everything above the £325,000 threshold to your spouse, civil partner, or to a charity, there will not normally be any Inheritance Tax to pay.



TAX HELP
FOR OLDER PEOPLE

If you leave your home to your children (including adopted, foster or stepchildren), or your grandchildren and your estate is not worth more than £2 million then your threshold could increase to £475,000.

Inheritance Tax is not chargeable between spouses. If you're married or in a civil partnership then your partner or spouse will also inherit any of your unused threshold which can then total as much as £950,000, or £1 million by 2020/21.

The standard Inheritance Tax rate is 40% but is only charged on the part of your estate that's above the threshold. Be aware that even if the estate's value is below the threshold you'll still need to report it to HMRC.

For further advice you can contact HMRC on their Probate or Inheritance Tax advice line on 0300 123 1072. You can find more information at www.gov.uk but if your affairs are more complex you may need to seek the help of a professional.

This article is by Tax Help for Older People Registered Charity no 1102276 (Scotland no SC045819), offering free tax advice to older people on incomes below £20,000 a year. The Helpline number is 01308 488066.