

CHAVEREYS

tax specialists | accountants | advisers

Heritage Assets

There are instances when a family heirloom, or treasured possession, holds not only significant emotional value but also monetary value.

Sadly, when an asset's value is sufficiently high, the death of an owner or, in the context of a gift made in the previous seven years, the previous owner, could trigger an unexpectedly high Inheritance Tax charge. In this case, the beneficiaries may struggle to pay the resultant tax and at worst be forced to sell the heirloom to finance the liability.

Fortunately there are reliefs available for specific assets and situations.

Inheritance Tax

I. Conditionally Exempt Transfers

- On making a claim eligible property may be exempt from Inheritance Tax (IHT) if certain conditions are met and undertakings given. This enables families to retain ownership of the asset.
- Eligible property includes:
 - Any picture, print, book, manuscript, work of art, scientific object or other object not yielding income, or a collection or group of the same taken as a whole, which appears to HM Revenue & Customs (HMRC) to be pre-eminent for its national, scientific, historic or artistic interest
 - Land/buildings of outstanding scenic, historic, architectural or scientific interest
- Exemptions may apply on death or on the occasion of lifetime gifts however lifetime gifts only qualify if:
 - The transferor (or spouse) has been beneficially entitled to the property throughout the 6 years ending with the transfer or
 - The transferee acquired the property on a death and the acquisition was a conditionally exempt transfer
- Exemption cannot be claimed if there is an intention to sell the property.
- An undertaking must be given until the person dies or the property is disposed of. The undertakings are:
 - Certain agreed steps must be taken for the preservation of the property
 - The public will be allowed reasonable access
 - In the case of property, it must remain permanently in the UK. It can only leave temporarily if approved by HMRC.
- Public access cannot be restricted to "appointment" only. The access must be reasonable open access.
- Chattels can be displayed in the owner's house or lent to museums/galleries and other buildings open to the public.



2. Acceptance of property in lieu of tax

- Property in the following categories may be accepted by HMRC in full or part payment of IHT:
 - Land with amenity value
 - Buildings with architectural or historic interest
 - Any picture, print, book, manuscript, work of art, scientific object or other thing which the Ministers are satisfied is pre-eminent for its national, scientific, historic or artistic interest

- The tax credit obtained from the asset is calculated as follows:

Agreed gross value	X
Less Capital Gains Tax	(A)
Less Inheritance Tax on asset	(B)
Total tax	(C)

Net value	Y
Plus "douceur" 25% of C chattels/10% of C land	<u>Z</u>
Special price/Tax credit	<u>SP</u>

A claim must be made within two years of death/transfer.

The scheme can only allow tax up to a national maximum of £40 million to be settled by qualifying assets per tax year.



Does this issue raise any questions in your mind?

Would you like more information on a particular item?

Please ring one of our agricultural specialists:

Karen Blackiston

Nick Holmes

Iain Morris

Henry Mullens

Ben Wilkinson

South
 2 Jubilee Way
 Faversham
 Kent
 ME13 8GD

Tel: 01795 594495
 Fax: 01795 594499

East
 1 Penn Farm Studios
 Harston Road
 Haslingfield
 Cambridge
 CB23 1JZ

Tel: 01223 874693
 Fax: 01223 874451

enquiries@chavereys.co.uk
 www.chavereys.co.uk

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, Chavereys, its partners, employees and agents, accepts no liability, and disclaims all responsibility, for the consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.