

Glossary of Probate and IHT Terms

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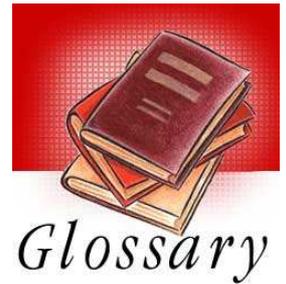
Introduction

This glossary¹ gives a brief explanation of the terms used in the administration of Inheritance Tax (IHT) and probate.

Glossary

Many of the terms cover complex issues and you may feel that you would like to know more.

- **Abatement:** If the Estate has insufficient money to pay all the bills, debts & expenses then the Legacies (gifts) payable will be reduced pro-rata to make enough money available to pay such bills, debts & expenses.
- **Accumulation and maintenance trust:** Up to 22 March 2006, an accumulation and maintenance trust (A&M trust) was a discretionary trust where the property in the trust was held for the maintenance, education or benefit of the beneficiaries or accumulated until the beneficiaries reach the age of 25. The property in these trusts was not subject to proportionate charges or ten-yearly charges. From 22 March 2006, if the trustees change the terms of the trust before 6 April 2008 to ensure that the beneficiary becomes absolutely entitled to the property in the trust on or before their 18th birthday, the trust will continue to be an A & M trust. If the trustees change the terms before 6 April 2008 to ensure that the beneficiary becomes absolutely entitled to the property in the trust between their 18th and 25th birthdays, the trust will become an age 18 to 25 trust and is subject to an age 18 to 25 exit charge whenever property leaves the trust and on the 25th birthday of the beneficiary. If nothing is done to change the terms of existing A & M trusts before 6 April 2008, they will become relevant property trusts and will be subject to proportionate charges.
- **Accumulation:** When the income of a fund is saved up and not paid out to any beneficiaries, it is said to be accumulated.
- **Ademption:** If a gift made in a Will, does not exist when someone dies, it adeems. That is the gift lapses. No attempt is made to replace it after death in order to make the gift. A gift may not exist at death, because it has been sold or given away or disposed of during the Deceased's lifetime.
- **Administrator:** A person who is appointed by the courts to administer a deceased person's estate in England, Wales and Northern Ireland; usually where there is no will or they are not named in the will.
- **Administratrices:** Plural of administratrix.
- **Administratrix:** A woman who is appointed by the courts to administer a deceased person's estate in England, Wales and Northern Ireland; usually where there is no will or they are not named in the will.
- **Age 18 to 25 trust:** From 22 March 2006, an 'age 18 to 25 trust' is a discretionary trust set up under the Will or intestacy of a deceased parent or step-parent, where the property is held on trust for the benefit of someone aged over 18 and under 25. Accumulation and maintenance trusts set up before 22 March 2006 which provide for beneficiaries to become absolutely entitled to the trust fund on or before the age of 25 will become age 18 to 25 trusts if, before 6 April 2008, they rewrite the trust to comply with the new rules. The property in an 18 to 25 trust is subject to age 18 to 25 exit charges when property leaves the trust on or before the beneficiary's twenty-fifth birthday.
- **Age 18 to 25 exit charge:** The IHT charge on an age 18 to 25 trust which occurs when
 - the beneficiary becomes absolutely entitled to the property in the trust between their 18th and 25th birthdays
 - some of the property in the trust is distributed to the beneficiary or
 - the beneficiary dies aged over 18.
- **Aggregate chargeable transfer:** The total amount on which inheritance tax is charged. This is made up of the deceased's personal and real estate, any interest in possession trusts in which the deceased was treated as having a beneficial interest, gifts with reservation, the deceased's share of joint property, all chargeable transfers made by the deceased in the seven years prior to death and the value of any alternatively secured pension from which the deceased was entitled to benefit as the original scheme member.
- **Agricultural relief:** Relief from Inheritance Tax which is due on the transfer of agricultural property. The relief applies to the agricultural value of the asset only.
- **Agricultural property:** Land or pasture used in the growing of crops or intensive rearing of animals for food consumption. It can also include farmhouses and farm cottages.
- **Agricultural value:** The value a property would have if it could only be used as agricultural property.
- **AIM shares:** Shares which are traded on the Alternative Investment Market.



- **Alternatively secured pension fund (ASP):** A fund (whether sums or assets) held under a money purchase arrangement that have been 'designated' to provide a scheme member (who is aged 75 or over) with an alternatively secured pension.
- **Annual exemption:** The amount you can give away each tax year that will be exempt from Inheritance Tax. This is currently £3,000 and applies to one gift or a number of gifts up to that amount. There are other exemptions which can apply.
- **Annuity:** A series of fixed payments paid over a fixed number of years or during the lifetime of an individual, or both. An annuity is often used to provide a pension. It can also be an annual payment provided for in a will.
- **Appeal:** The personal representatives may appeal against a notice of determination in writing within 30 days of the date of issue of the notice. The appeal will be heard either by the Special Commissioners or the Lands Tribunal.
- **Assent:** The legal process by which legal ownership in land/buildings is transferred from the Deceased to the Beneficiary or Beneficiaries at HM Land Registry.
- **Asset:** A possession which has value, such as a house, land, cash or securities.
- **Attestation Clause:** The formal part at the end of a will where the person making the will and the witnesses sign in confirmation that all the required formalities have been complied with.
- **Authorised Unit Trust (AUT):** A unit trust scheme authorised by the Financial Services Authority. A UK unit trust must be authorised before being offered to the general public in the UK.
- **Bank:** A bank is defined in s840A Taxes Act 1988 as
 - the Bank of England
 - an institution authorised under the Banking Act 1987
 - a relevant European institution
 - a relevant international organisation which is designated as a bank for the purposes of that provision by an order made by the Treasury.
- **Beneficiary:** For inheritance tax purposes, a beneficiary is a person or organisation which receives property, or gets some benefit from, a will, intestacy or trust.
- **Beneficial joint tenancy:** See joint tenancy.
- **Bequest:** a gift of personal property.
- **Bereaved minor:** A person who is aged under 18 and at least one of whose parents or step-parents has died.
- **Book value:** A company's value as it appears on a balance sheet, equal to total assets and intangible assets such as goodwill, minus liabilities. The value of assets as they appear on a balance sheet will be equal to the cost of the assets minus accumulated depreciation. Book value therefore often differs substantially from the open market value.
- **Business:** For the purpose of business relief, business includes any business carried on in the exercise of a profession or vocation.
- **Business property:** See relevant business property.
- **Business relief:** Relief from Inheritance Tax which is due on a transfer of relevant business property.
- **Cessate grant:** A grant of representation which terminates at the end of a specified time span.
- **Character appropriate:** For the purposes of agricultural relief, a farmhouse, cottage or building must be proportionate in size and nature to the requirements of the farming activities conducted on the agricultural land or pasture in question.
- **Chargeable amount on an age 18 to 25 trust:** On an age 18 to 25 trust the chargeable amount is the amount by which the value of the trust has decreased as a result of a disposition by the trustees.
- **Chargeable event on an ASP:** There are three occasions where a chargeable event arises on an ASP.
 1. the scheme member dies with an ASP;
 2. a relevant dependant of an original scheme member dies or ceases to qualify as a relevant dependant and they had benefits derived from the left over ASP funds of the original scheme member;
or, where neither 1 or 2 (above) applies
 3. when a dependant, of a scheme member dies and that dependant had an ASP derived from the pension lump sum death benefit of the scheme member who died before the age of 75.

- **Chargeable gift:** From 22 March 2006, a chargeable gift is, broadly, any gift which is not wholly covered by exemptions and given to the trustees of a relevant property trust or to a company. Gifts from one individual to another or to a disabled person's trust are not chargeable gifts, but are potentially exempt transfers.
- **Chargeable transfer:** A transfer of value made by an individual which is not an exempt transfer.
- **Chargeable value:** The chargeable value of an estate on death is the total of the assets less liabilities less exempt gifts and capital reliefs.
- **Charitable trust:** A trust which is held indefinitely for charitable purposes only.
- **Charity:** For inheritance tax purposes a charity is a UK registered charity or other qualifying body. Other qualifying bodies include organisations such as St John's Ambulance, hospices and orphanages.
- **Charity exemption:** A transfer that is made to a charity or other qualifying body is exempt from inheritance tax.
- **Chattels:** Personal property such as household and personal goods, furniture, jewellery, antiques and works of art, stamp and coin collections, cars, caravans and boats, electrical equipment, clothes, books and garden equipment.
- **Civil partner:** A person who has formed a civil partnership with someone else.
- **Civil partnership:** The legal relationship existing between two civil partners who have registered their partnership in accordance with the Civil Partnership Act 2004, which came into force on 5 December 2005.
- **Clearance certificate:** The personal representatives can apply for a clearance certificate using form IHT30 (PDF 44K) once they have supplied the necessary account and paid all the inheritance tax and interest due.
- **Close company:** A company which is under the control of five or fewer participators, or of participators who are directors.
- **Codicil:** a supplement or an addition to a will, executed with the same formalities as a will that normally does not revoke the entire will.
- **Commorientes:** See simultaneous deaths
- **Conacre:** The name for a grazing licence in Northern Ireland.
- **Consideration:** A legal term meaning 'something given for something done', i.e., the payment made for goods or services received. For a contract to be valid some consideration must be given.
- **Control:** A person has control of a company if they hold shares or securities that can control the majority of the voting powers affecting the company as a whole.
- **Compensation funds:** A fund which is set up by a trade or professional organisation to pay compensation to people who have suffered loss or hardship which has been caused by the actions of members of the organisation.
- **Confirmation:** The process of obtaining a grant of confirmation in Scotland. In England, Wales and Northern Ireland this is known as probate.
- **Corporeal moveables:** The Scottish term for chattels.
- **Deed of Variation:** See variation.
- **Deemed domicile:** A legal concept for inheritance tax purposes where a person is treated as if they were domiciled in the UK at the time of a transfer if:
 - they were domiciled in the UK within three years of the transfer, or
 - they were resident in the UK in at least 17 of the last 20 years.
- **Dependant:** A dependant of a registered pension scheme is defined as a person who at the time of the scheme member's death was:
 - the spouse or civil partner of the member
 - a child of the member who was under 23
 - a child of the member who was over 23 and in the opinion of the scheme administrator was dependent on the scheme member because of physical or mental impairment
 - any other person who in the opinion of the scheme administrator:
 - was financially dependent on the member;
 - had a financial relationship of mutual dependence with a member; or
 - was dependent on the member because of physical or mental impairment.
- **Determination:** See notice of determination.
- **Devise:** a gift of land or other real property.
- **Direct payment scheme:** Scheme by which the inheritance tax that is due can be paid by transferring the funds directly from the deceased's bank account.
- **Disabled person:** For inheritance tax purposes a disabled person is someone who, because of a mental disorder, is not capable of managing their own

affairs or administering their own property or someone who is in receipt of attendance allowance or a disability allowance because they are entitled to the care component at the higher or middle rate.

- **Disabled person's interest:** A trust where more than half of the assets in the trust are applied for the benefit of a disabled person. Or, for trusts set up on or after 22 March 2006, a trust set up for their own benefit by a person who is suffering from a condition which can be expected to lead to them becoming disabled.
- **Discretionary trust:** A trust under which no individual has a right to an interest in possession. Generally, the trustees have the power to decide who should receive the capital or income from the trust. Discretionary trusts are also relevant property trusts.
- **Disposition:** A disposal or transfer of property or cash, including both the creation and the release of any debt or right. The legislation specifically includes certain types of transfer and more information can be found in the Inheritance Tax Manual at: www.hmrc.gov.uk/manuals/ihmanual/IHTM04023.htm
- **Domicile:** Generally, a person's domicile is where they have their fixed and permanent home and to which, when they are absent, they always have the intention of returning.
- **Domicile of choice:** Where a person has left their country of domicile to live in another country with the intention of settling permanently in the new country.
- **Domicile of dependency:** Under the age of 16 a child has the same domicile as the person on whom they are legally dependent. This is called a domicile of dependency.
- **Domicile of origin:** This is acquired by a child at birth and is usually the domicile of the child's father at that time. It need not be the country in which the child is born.
- **Donor:** A person who makes a gift of some of their assets.
- **Donee:** A person who receives a gift.
- **Double taxation convention (DTC):** A treaty which helps prevent a transfer from being taxed by two countries if both countries have the right to tax the same property when a death occurs or a gift is made.
- **Due date:** Date on which the inheritance tax is due.
- **Emolument:** The payment that is made for work that has been done including salary, bonuses and some other forms of benefit in kind.

- **Employee trust:** A discretionary trust set up to benefit employees of a particular occupation or firm and the relatives and dependants of those employees.
- **Enduring power of attorney:** A power of attorney which is not revoked by any subsequent mental incapacity of the person granting the power.
- **Estate:** Up to 22 March 2006, for inheritance tax purposes, a person's estate was made up of:
 - assets in the sole name of the deceased,
 - their share of any jointly owned assets,
 - assets held in a trust in which the deceased had a right to benefit
 - any 'nominated' assets, and
 - any assets they have given away, but kept an interest in (see gift with reservation).

From 22 March 2006, a person's estate is made up of

- assets in the sole name of the deceased,
- their share of any jointly owned assets,
- assets held in a trust in which the deceased had an immediate post-death interest, a disabled person's interest, or a transitional serial interest
- any 'nominated' assets, and
- any assets they have given away, but kept an interest in (see gift with reservation).
- the value of an alternatively secured pension fund (ASP) from which the deceased benefited as the original scheme member, or as a dependant who received benefits from the left over ASP fund of an original scheme member.

In both cases, the total of all 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.

- **Excepted asset:** An asset on which business relief is not available because it is not used wholly or mainly for the purposes of a business throughout the two years before a transfer.
- **Excepted estate:** An estate where a full inheritance tax account is not required. From 6 April 2004 there are three types of excepted estate:
 - low value estates
 - exempt estates
 - foreign domiciliaries

- **Excluded property:** The term 'excluded property' is a technical term and covers certain types of property which, subject to certain conditions, are outside the charge to IHT. Excluded property includes
 - British Government securities in foreign ownership
 - property situated outside the UK, where the person beneficially entitled to the property is not domiciled in the UK
 - reversionary interests
 - settled property, where the settlor was domiciled outside the UK when the settlement was made
- **Executor:** A person who administers a deceased person's estate in England, Wales and Northern Ireland and is named in the will.
- **Executor-dative:** A man who is appointed by the courts in Scotland to administer a deceased person's estate; usually where there is no will or they are not named in the will.
- **Executor-nominate:** A person who administers a deceased person's estate in Scotland and is named in the will.
- **Executrices:** Plural of executrix.
- **Executrix:** A woman who administers a deceased person's estate in England, Wales and Northern Ireland and is named in the will.
- **Executrix-dative:** A woman who is appointed by the courts in Scotland to administer a deceased person's estate; usually where there is no will or they are not named in the will.
- **Executrix-nominate:** A woman who administers a deceased person's estate in Scotland and is named in the will.
- **Exempt estate:** A type of excepted estate where the gross value of the estate does not exceed £1m and there can be no liability to inheritance tax because spouse or civil partner exemption or charity exemption bring the estate below the inheritance tax threshold.
- **Exempt gifts:** Gifts exempt from inheritance tax. These include:
 - gifts to individuals more than seven years before death. See potentially exempt transfers
 - gifts to spouses or civil partners
 - gifts not exceeding £3,000 in any one tax year. See annual exemption
 - gifts on consideration of marriage or civil partnership
 - gifts to UK charities
 - gifts for national purposes
 - small gifts
 - gifts which are normal expenditure out of income
- **Exempt transfer:** An exempt transfer is one that is wholly covered by one or more exemptions.
- **Exemptions:** Some gifts are exempt from inheritance tax because the gifts are covered by exemptions.
- **Exit charge:** Also known as a proportionate charge.
- **Fall in value relief:** When tax, or additional tax, is payable on a gift because the donor has died and the value of a gift has fallen between the date of the gift and the date of death, then tax is usually charged on the reduced value of the gift.
- **Financial Services Authority (FSA):** The government agency that regulates investment business as required by Financial Services Act 1986.
- **Flat-rate charge:** The inheritance tax charge on accumulation and maintenance trusts, age 18 to 25 trusts and certain other special trusts where proportionate, exit and ten-yearly charges do not apply.
- **Forced Heirship Rules:** Forced Heirship Rules apply in foreign countries where rather than having a system of testamentary freedom (like in England & Wales) allowing citizens to make Wills and give their Estate to whomever they choose. Forced Heirship means that, with or without a Will, the Deceased's Estate MUST go to certain people - normally spouse & children - in certain proportions.
- **Foreign domiciliary:** A type of excepted estate. Where the deceased died after 5 April 2004 and was never domiciled or deemed domiciled in the UK the estate can be treated as an excepted estate provided the UK estate consists only of cash or quoted shares not exceeding £100,000 in total.
- **Former civil partner:** A person whose civil partnership has been legally dissolved.
- **FOTRA:** Some UK Government securities are issued on 'Free Of Tax to Residents Abroad' (FOTRA) terms and are exempt from UK inheritance tax where the beneficial owner of the security was not ordinarily resident in the UK.
- **FOTRA Gilts:** 'Free of Tax to Residents Abroad' gilts are securities issued by the Treasury with the condition that they, and the interest on them, are exempt from UK taxation so long as they are held beneficially by or on behalf of persons whose ordinary residence is outside the UK. This is excluded property.
- **Gift in consideration of marriage or civil partnership:** A gift made to a person who is about to get married or to form a civil partnership. These gifts are exempt from IHT up to the following amounts:
 - £5,000 made by the person's parent

- £2,500 made by the person's grandparent
- £1,000 made by anyone else
- **Gift with reservation:** See gift with reservation of benefit.
- **Gift with reservation of benefit:** A gift which is not fully given away so that the person getting the gift does so with conditions attached or the person making the gift keeps back some benefit for themselves.
- **Goodwill:** The value of a business over and above its book value of assets, which represents the goodwill of customers or the skill and expertise of company employees.
- **Government securities:** Securities issued by the Treasury quoted on the stock exchange.
- **Grant:** The term used to describe whatever type of grant of representation is taken out to administer a deceased's estate.
- **Grant ad colligenda bona:** A grant of representation which is limited to a particular purpose and allows the administrator power to preserve the deceased's estate. For example, where part of the deceased's estate consists of perishable goods.
- **Grant caeterorum:** A grant of representation which follows an initial grant in respect of limited property thus giving the administrator power over the remaining assets. Application for this type of grant requires the submission of a form IHT200.
- **Grant of administration de bonis non:** Grant of representation 'concerning goods not administered'. It is used where, following a grant of representation, the personal representative dies without completing the administration of the estate.
- **Grant of confirmation:** The proof of legal authority required by the person who is entrusted with dealing with a deceased person's estate in Scotland.
- **Grant of double probate:** A grant of representation where one executor does not wish to prove the will and the right to join others later is reserved. When the non-proving executor wishes to take up office later, a grant of double probate is made. Application for this is made on the form Cap A5C.
- **Grant of representation:** The proof of legal authority required by the person who is entrusted with dealing with a deceased person's estate.
- **Grant of letters of administration:** The proof of legal authority required by the person who is entrusted with dealing with a deceased person's estate where there is no will, or any will made is invalid.
- **Grant of letters of administration with will annexed:** The proof of legal authority required by the person who is entrusted with dealing with a deceased person's estate where there is a will but there is no executor named, or when the executors are unable or unwilling to apply for the grant.
- **Grant of probate:** The proof of legal authority required by the person who is entrusted with dealing with a deceased person's estate where there is a will.
- **Grant pendente lite:** An interim grant of representation which is only effective for a limited time, for example, while the validity of a will is being contested.
- **Grasskeep:** Another name for a grazing licence.
- **Grazing licence:** A licence granted for a period of less than twelve months which allows the licensee to graze animals or take grass from land for a season. In this situation the owner may still be regarded as occupying the land and so agricultural relief from inheritance tax is due at the higher rate.
- **Gross value of the estate:** The total of all the assets that make up the deceased's estate before any of their debts are taken off.
- **GWR:** See gift with reservation of benefit.
- **Her Majesty's Revenue & Customs:** The Government department created from the merger of the Inland Revenue and HM Customs & Excise.
- **HMRC:** See Her Majesty's Revenue & Customs.
- **HM Revenue & Customs:** See Her Majesty's Revenue & Customs.
- **Household goods:** See chattels.
- **ICT:** Immediately chargeable transfer.
- **IHT:** Inheritance Tax
- **Immediately chargeable transfer (ICT):** Before 22 March 2006, there was an immediate claim for inheritance tax on gifts into discretionary trusts or to companies. For gifts made on or after 22 March 2006, an immediately chargeable transfer is one made to the trustees of a relevant property trust or to a company. Additional tax may be payable if the donor dies within seven years of the gift.
- **Immediate post-death interest (IPDI):** The Finance Act 2006 defined an immediate post-death interest (IPDI) as one where a person has an interest in possession in settled property and all the following apply:
 - the settlement was effected by will or under an intestacy
 - the beneficiary became beneficially entitled to the interest in possession

on the death of the testator or intestate.

- **Immovable property:** A person's possessions in the form of interests in land and the permanent buildings on the land.
- **Income drawdown:** A particular situation where the deceased has reached pension age but has chosen not to buy an annuity that will provide their pension. Instead, they decide to 'draw' a certain level of income from the retirement fund with a view to buying an annuity at a later date.
- **Inheritance Tax:** A tax on the value of a person's estate on death and on certain gifts made by an individual during their lifetime.
- **Inheritance tax threshold:** The inheritance tax threshold is the amount above which inheritance tax becomes payable. If the estate, including any assets held in trust and gifts made within seven years of death, is less than the threshold, no inheritance tax will be due on it.
- **Instalments:** Inheritance tax may be paid in 10 annual instalments on land and buildings, business property and certain shares and securities.
- **Instalment option property:** A phrase used in HMRC Inheritance Tax to describe property on which the instalment option may be chosen, such as land and buildings, business property and certain shares and securities.
- **Interest:** Interest will be charged on any unpaid inheritance tax from the day the tax is due until the date of payment, no matter what caused the delay in payment. Interest is also charged on instalments.
- **Interest in possession:** This is a term in general law. Generally, a person has an interest in possession in property held in trust if they have the immediate right to use or enjoy the property or receive any income arising from it.
Up to 22 March 2006, all such trusts were treated for inheritance tax purposes as owned by the person having the interest in possession.
An interest in a trust arising on or after 22 March 2006 will be regarded as an interest in possession (and therefore treated for IHT purposes as owned by the person having an interest in possession) if it is one of the following:
 - an immediate post-death interest
 - a disabled person's interest
 - a transitional serial interest
- **Intestate:** If a person dies intestate, it means that they died without making a will, or without fully disposing of their property by will. The administration of the estate is then governed by the provisions of the Administration of Estates Act 1925.
- **Intestacy:** An estate where the person died intestate.
- **Inventory:** An inventory form C1 is the form used in a Scottish estate on which the personal representative has to provide information such as assets of the estate, including assets situated outside of Scotland.
- **Issue:** Children or remoter issue of the deceased.
- **Joint assets:** See joint property
- **Joint property:** Something which is jointly owned by two or more people either as a joint tenancy or as tenants in common.
- **Joint tenancy:** A form of joint ownership where all the joint owners have an identical interest in the property. On the death of one owner, their interest passes to the remaining owner(s) by survivorship.
- **Lands Tribunal:** A tribunal with the powers to determine questions relating to land. An appeal against a notice of determination in respect of the valuation of land can be heard at a lands tribunal.
- **Lease for life:** A type of settled property where a lease has been granted on a property for which full consideration has not been paid by the lessee.
- **Lessee:** A person to whom a lease is granted.
- **Lessor:** A person who grants a lease.
- **Life interest:** A common form of interest in possession in settled property where a person has an interest for the duration of their lifetime.
- **Life tenant:** A person who holds a life interest in settled property.
- **Limited probate:** Where an executor is appointed in respect of certain assets only, such as literary works.
- **Loss on sale of land:** If, within 12 months of a death, listed securities in the estate are disposed of for less than the value returned in the IHT200, the personal representatives can make a claim on form IHT38 that the total gross proceeds should replace the date of death value.
- **Loss on sale of shares:** If, within four years of a death, land or buildings in the estate is sold for less than the value returned in the IHT200, the personal representatives can make a claim on IHT35 that the gross sale price should be substituted for the date of death value.
- **Loss to the estate:** The value of a gift for inheritance tax purposes is the amount of the loss to the estate. It is

worked out by looking at the value of the estate before and after the gift was made. The difference between those two figures is the loss to the estate.

- **Low value estates:** A type of excepted estate where there can be no liability to inheritance tax because the total value of the estate, including the deceased's share of jointly owned assets, any specified transfers and specified exempt transfers, does not exceed the inheritance tax threshold.
- **Maintenance funds for historic land & buildings:** A type of discretionary trust set up for the maintenance of designated lands and buildings. Relief from full discretionary trust charges is available for these funds, but a tax charge may arise if any property ceases to be held on the relevant trusts, or when the trustees make a disposition which reduces the value of the trusts.
- **Milk quota:** A producer's right to sell a fixed number of litres of milk a year without having to pay a penalty.
- **Money purchase arrangement:** An arrangement is a money purchase arrangement if, at that time, all the benefits that may be provided to or in respect of the member under the arrangement are cash balance or other money purchase benefits.
- **Movable property:** Goods, furniture and other items which can be moved from place to place.
- **National purposes:** Exemption from inheritance tax is given for gifts and bequests to certain national institutions such as the National Gallery. A list of qualifying bodies and other information can be found in HMRC booklet IHT206A.
- **Newspaper trusts:** Trusts set up for newspaper publishing companies or newspaper holding companies. These are treated like employee trusts for inheritance tax purposes.
- **Nil-rate band:** The amount of an estate on which there is no inheritance tax to pay. If the value of an estate, including any assets held in trust and gifts made within seven years of death, falls within the nil-rate band there will be no IHT payable on the estate. Where the value of an estate exceeds the nil-rate band, only the amount above the nil-rate band is taxed at 40%.
- **Nominated asset:** Certain assets, such as deposits with Friendly societies, National Savings Bank accounts and National Savings Certificates, can be transferred on death direct to chosen beneficiaries by nomination.
- Nominated property does not pass under the will or intestacy but it does form a part of the estate for inheritance tax purposes.
- **Nominee:** A person who holds property on behalf of another.
- **Non-instalment option property:** A phrase used in HMRC Inheritance Tax to describe property on which the instalment option may not be chosen, such as bank accounts, household and personal goods and life insurance policies.
- **Normal expenditure out of income:** Gifts which are made purely out of income as part of a person's normal expenditure are exempt from inheritance tax. The claimant must show that after allowing for the gifts the donor was left with sufficient income to maintain their usual standard of living and that there was an established pattern of giving.
- **Notice of determination:** A notice of determination may be issued where the personal representatives do not agree the value of the transfer. It is a written notice which states that the outstanding matters have been determined or payment of the outstanding tax has not been made. There is a right of appeal.
- **Open-ended Investment Companies (OEIC):** Collective investment vehicles with one price for investors. OEICs are able to issue more shares if demand increases from investors, unlike investment trusts.
- **Open market value:** For inheritance tax, the open market value of an asset is the price it might reasonably fetch if it was sold on the open market at the time of the transfer of that asset.
- **Outright gift:** A gift where the donor gives away full ownership of the gift and does not retain any benefit.
- **Pecuniary legacy:** A gift of a sum of money under a will.
- **Permanent home:** The country where a person intends to live for the remainder of their 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.
- **Per stirpes:** If a property is to be divided 'per stirpes' among the children of a deceased person, then each child takes an equal share. If a child has predeceased the deceased that child's children will take equally between them the share that the predeceased child would have taken.
- **Personal applicant:** A person who is applying for a grant of representation without the help of a solicitor or other agent.
- **Personal Representative:** A person who administers a deceased person's estate. If there is a will and the personal representative is named in it they are known as an executor. If there

is no will, or they are appointed by the court, they are known as an administrator.

- **PET:** See potentially exempt transfer.
- **Phased retirement:** Where the deceased has divided their pension entitlement into a series of segments and has agreed a plan on retirement with their pension provider to take so many segments each year.
- **Political party:** A gift to a political party qualifies for exemption from inheritance tax if at the last general election preceding the transfer either two members of the party were elected to the House of Commons, or one member of the party was so elected and not less than 150,000 votes were given to candidates who were members of that party.
- **Potentially exempt transfer:** Up to 22 March 2006, a potentially exempt transfer (PET) was an outright gift to an individual, to an accumulation and maintenance trust, or to a disabled person's interest, which becomes an exempt transfer if the donor lives for seven years after the date of the gift.
- For transfers made on or after 22 March 2006, a PET is an outright gift to an individual, to a disabled person's Interest, or to a bereaved minor's trust on the coming to an end of an immediate post-death interest which becomes exempt if the donor lives for seven years after the date of the gift.
- **Power of attorney:** An authority given by one person to another to act for him in their absence. The person authorised to act is the attorney of the other. See also enduring power of attorney.
- **Privileged will:** A will made by a soldier on active service or a sailor at sea which does not have to comply with the usual formalities to make it valid. It does not have to be in writing, or, if it is in writing, does not have to be witnessed by two witnesses. The soldier or sailor can also be a minor.
- **Probate:** Strictly, the exhibiting and proving of a will by the executors. In common usage as a general term, it describes the process of obtaining a grant of representation.
- **Probate Office:** A satellite office of a probate registry where personal applicant can be interviewed by appointment.
- **Probate Registry:** A branch of the Family Division of the High Court of Justice, whose purpose it is to prove wills and issue grants of administration.
- **Proper Liferent:** A Scottish interest in property.
- **Property:** The word 'property' for inheritance tax purposes includes all types of asset, cash, stocks and shares etc as well as land and buildings, including all rights and interests of any description that are legally enforceable.
- **Proportionate charge:** An inheritance tax charge on a relevant property trust (link to relevant property trust in the glossary) which arises when property in the trust ceases to be relevant property or when the trustees make a disposition which reduces the value of the relevant property. The main examples of property ceasing to be relevant property are when the settlement comes to an end or when some of the property is distributed to beneficiaries.
- **Quick succession relief:** See successive charges relief
- **Quoted Shares:** Shares in a company which are quoted on a recognised stock exchange, including one situated outside the UK.
- **Real Property (also called Realty):** Freehold property or land.
- **Registrar:** A senior officer appointed by the Lord Chancellor as the judicial decision maker in a probate registry.
- **Related property:** Related property is property that is in the estate of a spouse or civil partner, or belonging to a charity or one of the political, national or public bodies to which exempt transfers may be made. There are special rules for valuing related property.
- **Related settlement:** When settlor sets up a trust, any other trusts he sets up on the same day are related settlements.
- **Relevant business property:** Types of property on which business relief may be available. These include:
 - a business
 - an interest in a business, such as a partner
 - unquoted shares which are not listed on a recognised stock exchange
 - shares or securities which give the transferor control of a business
 - land, buildings, plant or machinery used wholly or mainly in the business or partnership
- **Relevant dependant:** A relevant dependant of a member of a registered pension scheme is someone who at the date of the scheme member's death was:
 - a dependant who was the person's spouse or civil partner: or
 - is financially dependent on the member at that time.

- **Relevant property:** Settled property held on a relevant property trust.
- **Relevant property trust:** From 22 March 2006, a relevant property trust is any trust in which the beneficiary's interest is not one of the following:
 - an immediate post-death interest
 - a transitional serial interest
 - a disabled person's interest
 - a trust for a bereaved minor
 - an age 18 to 25 trust
- **Relievable property:** Property on which business relief or agricultural relief is available.
- **Remoter issue:** Grandchildren, great-grandchildren (and so-on) of the deceased.
- **Resident:** For inheritance tax purposes, residence has the same meaning as for income tax purposes. To be regarded as resident in the UK you must normally be physically present in the country at some time in the tax year. You will always be resident if you are here for 183 days or more in the tax year. More information about this can be found in HMRC booklet IR20.
- **Residue:** The part of an estate which is left after the payment of specific and pecuniary legacies, debts, funeral expenses and IHT.
- **Restriction on disposal:** The value of an asset may be reduced if the right to dispose of it is restricted.
- **Reversionary Interest:** The future right to an interest in settled property.
- **Settled property:** See settlement.
- **Settlement:** A settlement occurs when property is held in trust for successive beneficiaries. The property which a settlor puts into trust is known as the trust fund or 'settled property'.
- **Settlor:** A person who puts property into a trust. For inheritance tax purposes a settlor is the person who makes a settlement or who directly or indirectly provides the assets for a settlement.
- **Settlor's cumulative total:** When a settlor sets up a trust, the settlor's cumulative total is all the chargeable transfers made in the seven years before the setting up of the trust. While the settlor is alive, the cumulative total does not include the amount of any potentially exempt transfers (PETs). If the settlor's cumulative total is later adjusted to include PETs which become chargeable as a result of the settlor's death, the charges on the trust will be revised, and extra tax may become payable.
- **Simultaneous deaths:** For inheritance tax, if two or more people die and it is not known who died first, we assume that they have died at the same moment. This does not alter the legal position for the administration of the estate which is that the elder is presumed to have died first. This is also known as commorientes.
- **Situated:** Assets are situated according to general law. Common examples of where assets are situated are:
 - land and houses and household goods are situated where the property is located
 - bank notes and coins are situated wherever they happen to be at the time of the transfer
 - registered shares and securities are situated where they are registered
 - bank accounts are situated at the branch where the account is held.
- **Situs of assets:** See situated
- **Small gifts:** Small gifts which are exempt from inheritance tax of up to £250 in each tax year to any number of different recipients. The exemption cannot be combined with any other exemption such as the annual exemption.
- **Special Commissioners:** The Special Commissioners hear and determine appeals concerning decisions of the HMRC relating to all direct taxes including income tax, corporation tax, capital gains tax and inheritance tax.
- **Special Trust:** Types of discretionary trusts where the settled property held on them is not relevant property.
- **Specific gifts:** A gift other than a gift of residue Typical specific gifts are pecuniary legacies, gifts of particular assets such as the deceased's residence, furniture, jewellery and other household and personal goods and effects or shares in companies and business assets.
- **Specified exempt transfers:** Gifts made to the deceased's spouse or civil partner charities, political parties, housing associations, maintenance funds for historic buildings and employee trusts must be added back to the estate to see if the estate qualifies as an excepted estate.
- **Specified transfers:** Gifts of cash, chattels or corporeal moveables, quoted shares or securities, or outright gifts of land or buildings to individuals, not gifts into trust. For an estate to qualify as an excepted estate (excepted estate), specified transfers made within 7 years of death cannot exceed £100,000.
- **Spouse:** A party to a marriage.

- **Spouse or civil partner exemption:** Gifts made between spouses or civil partners are exempt from inheritance tax. This exemption is limited to £55,000 if the deceased (or donor) was domiciled in the UK and their spouse or civil partner was not domiciled in the UK at the time of the transfer.
- **Successive charges relief:** A relief designed to reduce the burden of IHT where an estate taxable on death reflects the benefit of property received within the previous five years under a transfer on which tax was (or becomes) payable.
- **Surviving civil partner:** A person whose civil partnership has ended through the death of their civil partner.
- **Surviving spouse:** A person whose marriage has ended through the death of their husband/wife.
- **Survivorship:** Where property is owned jointly under a joint tenancy, on the death of one of the joint tenants, the deceased's share of the joint property passes automatically to the surviving joint tenant(s). The property cannot be passed to anyone else under a will or intestacy.
- **Taper relief:** If the total chargeable value of all the gifts made between three and seven years before a death is more than the threshold at death, then taper relief is due. The relief reduces the amount of tax payable on a gift, not the value of the gift itself. The Customer Guide to Inheritance tax explains how to calculate taper relief.
- **Ten-yearly charge:** An inheritance tax charge which arises on a relevant property trust on the tenth anniversary of the setting up of the trust and each subsequent ten-year anniversary.
- **Tenancy in common:** See tenants in common.
- **Tenants in common:** Joint ownership of property where each joint tenant owns a separate share in the property. On the death of one of the joint owners, their share passes to their beneficiaries by their will or intestacy.
- **Testator:** A man who has made a will.
- **Testatrix:** A woman who has made a will.
- **Threshold:** See inheritance tax threshold.
- **Transfer:** Inheritance tax is charged on a transfer of value. That transfer can occur either during a person's lifetime, in the form of a gift, or on a person's death.
- **Transferee:** A person who receives a transfer.
- **Transferor:** A person who makes a transfer.
- **Transfer of value:** A transfer of value is a disposition made by a person as a result of which the value of his estate has decreased. All lifetime transfers must start with a disposition. Charges arising on death and on settled property where an interest in possession exists are deemed transfers of value.
- **Transitional serial interest (TSI):** Where an interest in possession trust arises before 6 April 2008, it will be regarded as a transitional serial interest (TSI) if it arises on or after 22 March 2006, but follows a previous interest in possession in effect immediately before that date. An interest in possession trust may also be regarded as a TSI if it arises on the death of the holder of the previous interest on or after 6 April 2008 and if either the new holder is the spouse or civil partner of the previous holder or the settled property consists of a contract of life insurance.
- **Trust:** An obligation binding a person who holds the legal title, the trustee, to deal with the property for the benefit of another person; the beneficiary.
- **Trustee Act Notice:** Usually placed in local newspapers and the London Gazette (see Useful Sites) to advertise for claims either of debt owed or of inheritance, in an Estate of a deceased by a certain time (usually 2 months from publication date) to provide 'protection' to Executors/Administrators against late claims arriving after distribution of the Estate to Beneficiaries.
- **Trust fund:** See settlement
- **Trustee:** The person who holds the legal title to settled property and who is obliged to deal with the property for the benefit of the beneficiaries.
- **Trust for a bereaved minor:** A trust for a bereaved minor is a trust which is exempt from mainstream inheritance tax charges if it is held either:
 - On the statutory trusts applying to minor children aged up to 18 on intestacy; or
 - on trusts in similar terms established under the terms of a parent's will or by the Criminal Injuries Compensation Scheme.

- **Trusts for disabled people:** A discretionary trust set up for the benefit of a disabled person. After 9 March 1991 these trusts were treated as if the disabled person had an interest in possession in the property held in the trust. Any distributions from the trust to the disabled person are not taxable, but a charge to IHT will arise on their death and the trust fund will form part of their estate.
- **Undisposed of Estate:** Property not given away by the will.
- **Unilateral Relief:** Where a transfer is liable to Inheritance Tax and also to a similar tax imposed by another country on assets situated in that country with which the UK does not have a double taxation agreement, relief may be available under unilateral relief provisions.
- **Unquoted Shares:** Shares in a company which are not quoted on a recognised stock exchange.
- **Variation:** If all of the original beneficiaries agree, an inheritance under a will or under an intestacy can be changed after death.
- **Will:** The legal document by which a person declares their intention as to what should happen to their estate after their death.
- **Woodlands relief:** When a woodland in the UK is transferred on death, the person who would be liable for the tax can elect to have the value of the trees and underwood (but not the underlying land) excluded from the deceased's estate. If the timber is later disposed of its value at the time will be subject to IHT.

Further Information

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If what you were looking for isn't here, try the business dictionary and business glossary directory at:
www.glossarist.com/glossaries/business/

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

If you would like to receive further information about this subject or other publications, please call us – see our contact details on the next page.

Acknowledgements:

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