

UK IHT reporting requirements for non-UK (deemed) domiciled individuals

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When someone not domiciled in the UK dies holding UK assets, it can be difficult to understand the UK inheritance tax (IHT) reporting requirements. Practitioners and clients need to know that there's a requirement to report even when no IHT is due.

What are the reporting requirements for IHT?

Personal representatives (PRs) (executors/administrators) of a non-UK-domiciled individual's (non-dom's) estate will be required to complete and submit a 16-page form (IHT400), which has potentially more than 20 additional schedules to report the value of the estate to HMRC.

It is only the value of the UK assets held (or deemed to be held) by the non-dom at the date of death that is chargeable to IHT. However, if the value of the UK estate is low enough to meet the criteria of an 'excepted estate' the IHT reporting requirements are sometimes reduced to a two-page form (IHT207).

PRs have 12 months after the death to complete and submit form IHT400/IHT207 or risk penalties for late filing. If IHT is due, payment should be made to HMRC by the end of the sixth month after the non-dom died. After this date, interest accrues on the overdue IHT until it is paid.

The reporting requirements for IHT purposes are separate from probate applications. It is possible that PRs will be required to report an estate without the need to apply for probate. For example, if the estate consists of a UK bank account that is jointly owned, the account may automatically transfer by survivorship. This means the

account might be transferred to the other owner without the need for probate. However, in this situation, PRs are still required to file an IHT form. It is therefore important for PRs to understand the separate requirements when applying for probate and IHT reporting, to avoid delays in getting the grant or failure to report to HMRC within the deadline.

What is an excepted estate?

An estate can be classified as an excepted estate only if there's no IHT due. To meet the criteria and qualify as an excepted estate all the following conditions must met by the non-dom at the date of death:

- the gross value of their UK assets must not exceed GBP150,000;
- their UK assets consist only of cash/quoted stocks and shares; and
- they were never UK (deemed) domiciled for IHT purposes.

Even if the non-dom's estate meets the criteria and qualifies as an excepted estate, if they were born in UK, lived in the UK during their lifetime or made any gifts of UK assets within seven years of death, the PR will still be required to report to HMRC on a form IHT400.

What should PRs do?

If PRs need to obtain probate to enable them to sell or transfer the UK assets of a non-dom's estate, they will have to complete and submit an IHT400 or an IHT207 to HMRC before submitting the probate application. HM Courts and Tribunals Service (HMCTS) will not issue grants for non-dom estates until it receives clearance from HMRC, so using the wrong form will likely cause unnecessary delays to the process.

The IHT reporting requirement is separate from the probate application so, even if probate isn't required, PRs will still need to complete and submit either an IHT400 or an IHT207 to HMRC for a non-dom if they held UK assets when they died.

If no IHT is due but, at death, the non-dom held any UK assets such as real estate property or shares in privately owned companies, PRs will need to complete and submit form IHT400, even if the value of those UK assets is no more than GBP150,000.

If no IHT is due and the estate qualifies as an excepted estate, PRs will still need to check if the non-dom was born in or ever lived in the UK and if they'd made any gifts

of UK assets within seven years of death before completing an IHT207, instead of an IHT400, to avoid unnecessary delays in obtaining probate.

It's important for PRs of a non-dom to know that even if an estate qualifies as an excepted estate, there's still a requirement to report the UK estate to HMRC. Just because the estate is excepted, it doesn't mean the non-dom's estate is relieved from the reporting requirements.

Still unsure of which IHT form to use?

Below are examples of excepted estates involving non-doms, to demonstrate when PRs are required to file an IHT400 and when it is possible to submit an IHT207 instead.

Example one

Adam died domiciled in Australia, where he had lived and been domiciled all of his life. His estate was predominantly based in Australia and was worth GBP140,000 in total. However, he owned a plot of land in the UK valued at GBP50,000. Because Adam's UK estate consists of assets other than cash and quoted stocks and shares, his PRs will be required to submit an IHT400.

Example two

Beatriz was born in Brazil, where she lived and had been domiciled for all her life. Her estate consists of her Brazilian residence worth GBP300,000, her Brazilian bank account with a balance of GBP20,000 and shares in a UK company listed on the London Stock Exchange worth GBP30,000. She had not made any gifts during her lifetime. Although Beatriz's estate is worth over GBP150,000, the UK element is only valued at GBP30,000 and is therefore within the threshold to qualify as an excepted estate. Because she's never been (deemed) domiciled in the UK and her UK estate consists of only quoted shares, Beatriz's UK estate qualifies as an excepted estate. Because she wasn't born or lived in the UK and hadn't made any gifts of UK assets, the PRs of her estate are able to file an IHT207.

Example three

Cara was born in the UK, but she lived nearly all her life and was domiciled in China. Her estate consists of several Chinese bank accounts with a total balance of GBP120,000 and a UK bank account with a balance of GBP20,000. Cara's UK estate

qualifies as an excepted estate. However, because she was born in the UK, her PRs can't use the form IHT207 and they'll need to report to HMRC using form IHT400.

Example four

Daniel was born in Denmark, where he lived and was domiciled for all his life. His estate consists of several properties, quoted investments and cash in Denmark and elsewhere in the world, with a total value of GBP3 million. He gave all his UK properties to his children three years before his death yet held GBP25,000 in a UK bank when he died. The estate qualifies as an excepted estate, but because he made gifts of UK assets within seven years of his death, the PRs can't use the form IHT207 and will need to report to HMRC using IHT400. The PRs may also have IHT to pay if Daniel had used all the available allowances during his lifetime.

Written by [Louise Day TEP](#), Manager, Private Client team at Buzzacott

+44 (0)20 7556 1362

dayl@buzzacott.co.uk

Authors

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