

## **My Inheritance Tax Diary**

The Daily Express campaign for the abolition of Inheritance Tax is one very close to my heart, as I have just emerged from a two-year trauma, caused entirely by this terrible tax.

When my partner, the writer John Sandilands, died suddenly in March, 2004, he left a completely up to date and clear will, had a nice six-figure sum of money sitting in the bank, no debts or mortgages, and no children to squabble amongst themselves. His estate would therefore have been simplicity itself to administer, but for the hideous spectre of inheritance tax.

At one time, it was only super-rich people like the Duke of Bedford who had to pay inheritance tax. In fact, the Woburn Abbey theme park was initially developed specifically to pay crippling death duties. Nowadays, even for ordinary people on ordinary incomes who have managed to buy their own modest homes, Gordon Brown will most probably be the biggest beneficiary, rather than your own family or friends.

IHT, payable at 40%, now kicks in at estates valued at £275,000 or more; two years ago, when John died, the threshold was £250,000.

Make no mistake, dealing with IHT, which you must do when your grief is at its most raw and intense, is one long nightmare. Here is my own IHT diary.

### **March 15, 2004.**

I go to my evening lecturing job at 6 in the evening. When I return at around 10.30 I get a call to say that John, my beloved partner of the past 12 years, has suddenly died of a massive heart attack while on the phone to a friend. After the phone went dead, the friend drove to his West London flat (we did not live together during the week, but shared a weekend home) and when there was no reply, called the police, who came instantly, and broke the lock to gain entry.

Within those few hours, the police have taken the body to the mortuary and the coroner has been informed. Funeral directors have been contacted. And I knew nothing of it.

### **March 16- 31, 2004.**

I go to Kingston Coroner's office to identify the body. The Coroner informs the Probate Office and I, as co-executor of his will, receive the inheritance tax forms three days after the death and before his funeral has taken place. My mind turns to blank horror when I flip through the 50 or so pages of the forms. It soon becomes clear that we will have to pay a lot of IHT on the estate. But how? When?

My co-executor Jo Sandilands, John's former wife, and myself, decide to hand the whole thing over to a solicitor. It is just too complicated for us to handle by ourselves. Also, both of us are in too much shock by the sudden and unexpected death to think straight. Plus, neither of us has ever had to do anything like this before, and we have no expertise at all.

The solicitor quotes us £1500 plus VAT to handle probate. I go to the police station to retrieve the keys of John's flat and Jo and I hunt for his will.

All of John's bank accounts are immediately frozen and we can pay no bills, apart from the funeral. Nor can we pay any cheques into the accounts. John rented out two properties; the tenants have their rent cheques returned to them and start to panic about being evicted. We reassure them.

The Probate Department of John's bank expresses trite sympathy for our loss, but refuses to pay any outstanding bills, even though there is nearly £200,000 in the accounts, more than enough, we hope, to pay the IHT. When asked how we settle outstanding bills, we are told curtly to 'get a loan.'

We have to get hold of John's original will, not a copy, and Jo and myself both have to sign for it in person in front of the solicitor. Probate cannot commence without the original will. We also need the birth certificate, and at least a dozen copies of the death certificate, which is issued only after the post-mortem. Copies

are demanded by every utility and official body, before they will agree to stop the service.

#### **April 2004**

The first job is to get John's assets valued for Probate. This includes cash at the bank, real estate, stocks and shares, vehicles, jewellery, paintings, antiques, furniture. Even Ikea furniture; in fact, anything which may have a saleable value.

The Probate Office will only accept written valuations made by appropriate professionals, so we get estate agents to value John's properties, six in all – three owned by him and three owned jointly by John and myself. Nowadays, estate agents charge for probate valuations, and it has become a source of revenue for them. Ours agree to waive the charges if we put the properties on the market with them.

None of these properties can be sold until we receive the Grant of Probate which in turn cannot happen until the IHT is paid. It looks as though we will have to pay around £165,000 IHT on the sum total of his assets of around £800,000. The properties that John and myself jointly owned, including our holiday flat, are not exempt from IHT but are included in the calculations.

But – thank goodness John left his half of the joint flats to me in his will; otherwise I would have had to sell them, as well as his own properties.

Jo and myself and another beneficiary pay for the Memorial Event ourselves. Otherwise, caterers, photographers and other small operators could wait for up to a year to be paid.

We cancel telephone, council tax, insurance, AA subscription, etc and inform all utilities and credit card companies of his demise. This takes a surprising amount of work and effort. Every week, though, letters come to his address demanding payment. We get threatening letters from debt collectors; British Gas threatens to break into the flat and turn off the gas supply unless the account – less than £50 - is paid forthwith.

We spend hours on the phone explaining that we cannot pay bills because the accounts are frozen and will remain so until Probate is granted.

#### **April- August 2004.**

Nothing whatever happens, except that the threatening (and very upsetting) letters continue to arrive. We receive an offer for John's home and explain that we cannot sell it until we receive the Grant of Probate, which is itself dependent on the Inland Revenue accepting the solicitor's estimation of the total value of John's assets. We donate John's car to Jo's teenage son and the solicitor values it at £100.

We learn slowly what we can and cannot set against IHT. Every monetary or saleable asset, however small, is liable to be included. There are certain things, however, that we can set against the final amount, such as all bills, tenants' deposits, outstanding income tax, cost of the memorial service and estate agents' fees. Legal fees, however, are not included and must come out of the remainder of the estate. Our solicitor is meticulous, if excruciatingly slow.

#### **August- October 2004.**

Jo and myself have to go to another solicitors and sign the probate forms after swearing on the Bible in front of an official. This little escapade costs us £18. We receive an offer on another of John's properties. The solicitor tells us that we, the beneficiaries, are liable for Capital Gains Tax on the sales, if the sale price is in excess of the probate valuation. This is to prevent deliberately low probate valuations.

#### **October 2004**

Eight months after John's death we are granted Probate after inheritance tax, amounting to £165,000, is paid. Bank accounts are now unfrozen and wound up. Thank goodness, we agree, that John is not alive to know how much of his hard-earned, taxed money went straight to the government.

The sale on John's home falls through at, literally, the eleventh hour, just when we were about to exchange.

#### **November 2004**

There is no more interest in John's home, but one sale goes through, extremely slowly, on a rental flat. Otherwise, the market seems to have gone completely dead.

#### **December 2004**

We decide to rent out John's home rather than have it standing empty, and a tenant moves in. As executors, we are, after Probate, allowed to rent out John's property and receive rents. The tenant stays just one day and the flat goes back on the market.

#### **January 2005**

We receive a lengthy statement of account from the probate solicitor and get all the paperwork back. It is more than a foot high. We are horrified to discover that the solicitor's bill comes to much more than expected: £3,600 plus £800 for the 'abortive sale' of one of the flats. This money is taken out of John's account before the balance is paid to us as executors.

Yes, we should have shopped around, we should have got written estimates but we were simply not thinking straight at the time.

By the time all the bills are paid, including accumulated service charges on the three flats, there is just £1,300 left of the nearly £200,000 in John's account at the time of his death. We have also had to pay income tax which meant filling in another horrific form.

Jo and myself set up a joint bank account with the £1,300 as we can now receive and pay cheques. We can also start to pay the beneficiaries, including ourselves, once we receive the monies from the sale of the flats.

We exchange contracts on one of John's rental flats. Thank goodness at least one has gone; still no interest in the other two.

#### **February 2005**

Almost a year has elapsed since John died and we still have not tied up the estate. Two properties remain unsold, and who can say how long they will take to go? At least the beneficiaries have had the first tranche of their money, and the paperwork is no longer piling up so fast although demands for service charges continue. Council tax has to be paid again on unsold and empty properties six months after Probate.

Even when using a solicitor, there is endless work for the executors when IHT has to be paid. There is, we realised, no real way of wriggling out of this tax. The Inland Revenue can- and do- query absolutely everything.

#### **Sept - Oct 2005**

We finally manage to sell John's two other flats and pay the six beneficiaries, who receive a total of just over £73,000 each – a nice sum no doubt but for each person, less than half of what Gordon Brown has pocketed.

#### **February 2006**

Jo and myself have kept £2000 in our joint executor's account, in case of unexpected or unforeseen bills. At long last, it seems to be over, so we divvy up the remainder of around £300 each, and close down the account, 23 months after John died.

Finally, the agony is over, but our sharpest and saddest memory is the huge amount we had to pay to the Exchequer. We will never forget that.