# IHT Step by Step

Here is how Inheritance Tax (IHT) planning might work in practice:

1. Families should speak to a Financial Adviser, and possibly also to a solicitor to mitigate their IHT liability. They then make a Will via their Solicitor which takes into account their liability.

2. When a family member dies leaving an estate, the estate first passes free of Inheritance Tax to a spouse. When the surviving spouse dies, the estate passes to other beneficiaries, if that is what is written in the Will. If those beneficiaries are direct descendants, then they will benefit from the new Family Home Allowance, as well as the allowances from both the spouses.

3. When someone dies and you are their executor, if the estate is more than £325,000, you will need to complete several Government forms. Form PA1 and form IHT 421 need to be sent with the Will and the death certificate to the Probate Registry. You may also need to complete a full IHT400 for the Taxman if there is IHT to pay. Form IHT400 requires an inventory of the entire estate.

4. Inheritance Tax is payable 6 months from the end of the month in which the deceased died and interest will be charged on unpaid tax after that date.

   Inheritance Tax will need to be paid before the Grant of Probate has been received and therefore before it has been possible to draw in all the assets of the estate.

5. There are several ways to pay IHT. The funds can be taken directly from the Estate, or loaned by a beneficiary or even by a bank or building society. This must be set up as a loan. On some types of assets such as houses, business, farm land and woodland, it is possible to pay Inheritance Tax in instalments, spread over 10 years.

6. HMRC will issue a letter when the tax has been paid, and then the estate can be distributed.