TAX HELP
FOR OLDER PEOPLE

BEREAVEMENT AND TAX – IT'S CHANGING AGAIN

There can be a mountain of paperwork to deal with after a bereavement, and everyday matters like dealing with banks, council departments and utility companies can become overwhelming. One area which needs attention in the majority of bereavements is tax. It is also the area most likely to be overlooked or relegated to the bottom of the list of things to do.

The tax affairs of the deceased have to be reconciled to the date of death, as tax may be overpaid or underpaid. And this where it's all changing, From October 2014 form R27 (Reclaiming tax or paying tax when someone dies) is being replaced by personalised letters and an automatically produced tax calculation (P800). For those in the self assessment (SA) system the process has been improved to allow 'in year' returns, speeding up the whole process.

The new process

- The executor, personal representative (PR) or relative informs HMRC of a death - either through the 'Tell us Once' service or personally.
- HMRC sends a letter to the executor, PR or - if not known - the last known address of the deceased. The letter explains the process and that a P800 tax calculation will be sent once HMRC has received the final information from the pension providers, employers, DWP etc.
- When the executor or PR receives the P800 it is likely that there will be an overpayment and a refund is due - but sometimes there is an underpayment that will need to be paid out of the deceased's estate.
- The executor or PR must check the P800 tax calculation against the deceased's records. If they cannot agree with it they must make immediate contact with HMRC and discuss the matter.
- The executor or PR should receive the refund or a payment slip about a month later.
- Those in self-assessment will receive a more tailored service with letters to match their individual circumstances. In most cases the executor will be asked to complete a self assessment tax return.

What if you don't agree with the P800 tax calculation?

It is not unusual to see errors in calculations and it really is important to check them over carefully.

- Check against the final statements from pension providers, employers, DWP, etc.
- Check income from savings, as the P800 may show the previous year's savings income.
- Check if there are any adjustments listed and that they are real, as they often appear for no reason.
- Question anything that doesn't make sense.

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What about the tax affairs of the surviving spouse?

In most cases it is important to review the survivor's tax situation as this usually changes. Form P161(W) is used to notify HMRC of any changes to their income. This form is mentioned in the new letters but you have to ask for a copy. It is not unusual for a non-taxpayer to become a taxpayer because they have inherited income. The form asks for information on income after the date of death

and is a snap shot in time so it is best completed once all the changes have settled down. HMRC then review the tax codes or decide if a self assessment return is required.

This article is by Tax Help for Older People (operated by registered charity no 1102276), offering free tax advice to older people on lower incomes. The Helpline number is 0845 601 3321 or 01308 488066.

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