

## Fall in value of quoted investments and land

### (Lecture P1209 – 12.38 minutes)

Unfortunately, where people are acting as personal representatives (PRs) for those who died in the months leading up to the coronavirus shutdown, they are likely to end up realising assets for less than their value at death.

In three specific circumstances, the value of the death estate may be adjusted for losses arising on post death disposals. Here we cover the reliefs for quoted investments and land; in the article that follows, we will cover the relief for property valued under related property rules, together with the relief for fall in value of lifetime gifts.

#### *Quoted investments (Part VI Chapter III IHTA 1984)*

When dealing with quoted investments, the PRs must consider all disposals within 12 months of death, both at a profit or loss.

To calculate the fall in value, the PR must compare the probate value with the gross sale proceeds for each disposal within 12 months of death to generate either a profit or loss. All of these results are then added together. Where this produces a net loss, post mortem relief can be claimed and the loss can be deducted from the probate value that is included in the deceased's estate. Note that the loss that can be deducted from the death estate is restricted if the Personal Representative has bought replacement quoted investments in the period that runs from the date of death up until 2 months after last sale within the 12 month period. The restriction is calculated as follows:

$$\frac{\text{Cost of new investments}}{\text{Total gross proceeds from sales}} \times \text{Loss}$$

#### *Example – Dominic*

Dominic died on 20<sup>th</sup> December 2019 leaving the following quoted shares in his estate:

10,000 X plc shares     £20,000

5,000 Y plc shares     £7,500

On 19<sup>th</sup> June 2020, the Y plc shares were sold for £8,000 but incurred dealing costs of £220. Later that year on 1 September the X plc shares were all sold for £14,000, with dealing costs of £300.

	<u>Probate value</u>	<u>Proceeds</u>	<u>Profit/ (Loss)</u>
Y plc shares	7,500	8,000	500
X plc shares	20,000	14,000	(6,000)
	27,500	22,000	(5,500)

Revised value in the death estate is £22,000 (27,500 – 5,500). This will result in a repayment of IHT already paid based on probate value.

Finally, if shares are suspended from trading, meaning that they cannot be sold within the 12-month period, they can be deemed to have been sold at their suspended value.

*Land and buildings (Part VI Chapter IV IHTA 1984)*

These rules work in a similar way to the rules for quoted investments, but Personal Representatives must take into account all sales within 3 years of death whether at a profit or loss, as well as any further sales at a loss in the 4th year after death. Further, a sale is ignored completely where the profit or loss is 'small' (Lower of £1,000 or 5% probate value).

When considering any restriction of the loss, only consider purchases from the date of death until 4 months after the last sale within the 3-year period (even where there has been a loss)

*Article created from an Online Tutors seminar produced by Kevin Reed*