



Estate Administration

What Is Involved?



The administration of an estate (also known as 'probate') is the process that personal representatives go through in order to collect a deceased's assets, discharge their debts and other liabilities (including paying inheritance tax) and distributing those assets to the beneficiaries.



If a deceased left a Will, the personal representatives will be the executors named in the Will. The document that will be issued by the court granting them the right to deal with the deceased's estate is known as a Grant of Probate.

If the deceased did not leave a valid Will (also known as dying intestate), the intestacy rules specify who can apply to deal with the administration of the deceased's estate. The order of priority is:

- Surviving spouse or civil partner;
- Children;
- Parents;
- Siblings; and
- More distant relatives.

If the deceased died intestate, the personal representatives are known as 'Administrators'. The document that will be issued by the court granting them the right to deal with the deceased's estate is known as a Grant of Letters of Administration.

A testator may decide to appoint one or more professionals to act as their executor (either alongside a family member or not) in their Will.

Alternatively, personal representatives may decide that they wish to instruct a solicitor to carry out the administration of an estate on their behalf.

The steps involved in administering an estate will vary for each estate; however, generally it is likely to involve the following:

1. Assemble information for the inheritance tax return

- This involves writing to banks, building societies, accountants, financial advisers, life insurance companies and any other entities that are likely to have information relating to the deceased's assets.
- A personal representative also needs to investigate lifetime gifts made in the 7 years prior to the date of death as this can impact the inheritance tax payable.
- Organise valuations of property and chattels e.g. car, art, jewellery etc.

2. Advertise for creditors

- Notices should be placed in the London Gazette and the deceased's local newspaper advertising for any unknown creditors.

3. Pay inheritance tax due.

- Inheritance tax on personal property (everything other than land and buildings) is payable when you apply for a Grant of Probate / Letters of Administration.
- Tax is due six months after the end of the month in which the death occurred.
- If money is tied up in property you can arrange for the inheritance tax to be paid in yearly instalments over 10 years; however, there will be interest to pay in addition to the inheritance tax.
- Most assets will not be released without a Grant, but sometimes banks or building societies will release funds for the payment of inheritance tax.
- The inheritance tax account must be submitted before the Grant of Probate / Letters of Administration can be applied for.

4. Make the application for a Grant of Probate / Letters of Administration

- The Probate Registry takes approximately four to twelve weeks to process applications and issue the Grant.

5. Collection of assets

- Once the Grant of Probate / Letters of Administration has been issued, official copies must be sent to all asset holders (banks, company registrars etc.) who will transfer the assets to the named executors / administrators.

6. Payment of debts and distribution of legacies

- The following must be paid before distributing the residuary estate:
 - Funeral and administration costs.
 - Debts (including any inheritance tax loan).
 - Specific legacies e.g. artwork, cars or jewellery.
 - Pecuniary legacies i.e. fixed amounts of money left to specific beneficiaries.
 - Interest payable on unpaid legacies after one year from death.
 - Any income tax or capital gains tax due by the deceased as at the date of death. This may involve ensuring any outstanding tax returns up to the date of death are prepared.

7. Interim distribution of residue

- Any interim distribution of residue is at the discretion of the personal representatives.
- The personal representatives may decide to distribute some cash or shares to the residuary beneficiaries. However, they must ensure that they keep a reserve for possible further inheritance tax, unquantified debts, and ongoing administration expenses such as legal and accountancy fees.
- If the main asset is a house or other building any distributions may have to wait until it has been sold.

8. Financial and taxation advice to the personal representatives and beneficiaries

- At appropriate stages in the administration, the personal representatives or the beneficiaries may require assistance with their financial position, taking into account their inheritance from the estate.
- The personal representatives and beneficiaries may wish to consider a Deed of Variation, which is a deed altering the distribution of the estate to achieve immediate or future inheritance future tax savings.

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Disclaimer: This note does not contain a full statement of the law and it does not constitute legal advice. Please contact us if you have any questions about the information set out above.

9. Agreeing the inheritance tax position

- HMRC will examine the inheritance tax account submitted and may make enquiries regarding the same.
- The values of real property may be referred to the District Valuer and private company shares may be referred to the Shares Valuation Division.
- If necessary, the personal representatives may submit Corrective Accounts, reporting amendments to the value of the assets and liabilities discovered during the administration process.

10. Further interim distributions

- Once all funds have been collected, the personal representatives can make further distributions to the beneficiaries if appropriate.

11. Estate accounts and tax returns

- Depending on the level of income and capital gains made by the estate while in administration, the personal representatives may need to submit tax returns
- We can prepare Estate Accounts and send interim accounts reporting the current position in the administration to the personal representatives.
- Residuary beneficiaries are entitled to a copy of the Estate Accounts. They will also be provided with a statement of income from the estate (form R185) which will be needed when filing their personal tax returns.

12. Completing the administration

- When the inheritance tax position has been agreed by HMRC, the personal representatives will finalise the Estate Accounts and make any final distributions due to the residuary beneficiaries.

Please find our other useful guides here:

[Why Make A Will](#)

[Inheritance Tax - An Overview](#)