

# What's it worth?

**Julie Butler and Philip Whitcomb** explain why it is important to obtain a professional valuation of chattels.

**T**here is much debate among advisers as to whether there is a need for a professional valuation of chattels. The answer is a clear 'yes'. There is also a question as to whether there should be a 'chattels reconciliation' to show the chattels at the date of death (professionally valued) and how they are distributed or sold and tied into the estate accounts. Again, the answer is 'yes' – there has to be.

Let's consider the legislation around this subject. The starting point is IHTA 1984, s 216. The material part is that the personal representatives (PRs) must deliver an account specifying to their 'best knowledge and belief ... the value ... of property'. The question of value is dealt with in s 160. There are particular rules on the valuation of sets.

Penalties under s 247 may be imposed for incorrect returns – potentially on both the PRs and the professional valuer. There is a higher duty of care for professional PRs (see *Cairns* (TC8)).

Chattels can be a very emotive subject between family members and the beneficiaries, and disputes can arise.

HMRC's concerns tend to centre on two main areas:

- Does the IHT account constitute a complete return of the chattels owned by the deceased?
- Has the value of the chattels been ascertained in accordance with statutory principles?

On the first question, any enquiries will focus on the steps taken by the PRs as to the completeness of the account, such as what enquires were made and from whom. Further, whether there is any reason to doubt that there were chattels missing and what was done to ensure this was not the case.

On the second, HMRC will want to know whether, objectively, it was reasonable for the PRs to seek a professional judgement in view of the nature, extent and likely value of the chattels. Have appropriate instructions been given to the valuer? Can the valuer justify and explain (if needed) their valuation? Any professional valuation should contain a note/certificate to the effect that the valuation is assumed to be a sale in the open market in accordance with the principles of s 160.

It is therefore essential that the instructions to the valuer are given as soon as possible after death, the will and letter of wishes are understood and all dealings are transparent.

## Guidelines for personal representatives

The PRs should in a timely fashion instruct a valuer who has the demonstrated experience in valuing chattels of the kind in question – this is particularly relevant for specialist art and antique items. They should have access to resources/research



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materials to back up the valuation. This instruction should be in writing and the PRs should provide points on the history of any particular item and provenance. It should include a note that the valuation must be on the principles as set out in s 160.

The valuer must inspect the items and indicate any damage or flaws with the item. It should not be a desktop exercise.

For high value items the report should contain comparable sales of the particular type. The PRs must also satisfy themselves that the valuer may need to justify their valuations and have the relevant evidence to support it.

## Estate accounts

Ideally the estate accounts should include a chattels reconciliation to show the valuation at date of death, any sales, distributions and, if appropriate, house clearance.

The chattels are no different from other assets in the accounts in that it must include valuation at date of death with notes of any peculiarities. The 'proceeds' of distribution must be shown tying into the beneficiary accounts and also the 'realisation of assets' schedules. As with other assets there could well be profits and losses on sale. As with any relatively high value estate there are stand out assets with high values and other items that are difficult to sell.

Transparency and a traceable trail through the estate accounts is essential. Emotions can run very high about the sentimental value of chattels, not just the value – therefore PRs and those advising the PRs should be equipped with a strong defence structure from the outset. ●

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