

Acceptance in Lieu





Acceptance in Lieu (AIL) enables those with a liability for inheritance tax or estate duty to pay that liability with heritage property.

This property could be important works of art and other cultural objects or important land and buildings. Not only will an offer in lieu normally be of greater financial benefit to the owner than an open market sale that entails payment of tax but it also ensures that assets of national importance are preserved, in the UK, for the public benefit. This leaflet outlines how the scheme works and identifies the benefits to potential offerors and recipients (museums, galleries, libraries and archives or bodies such as the National Trust).



Head of EOW III by Frank Auerbach, © Frank Auerbach

How does AIL work?

Offers in lieu are made to HM Revenue & Customs (HMRC) which will check to see that there is a liability for tax or duty and that the offer is being made by the people who are liable for that tax. If your offer meets the basic criteria of the scheme HMRC will refer it to the AIL Panel (the Panel) of the Arts Council. The Panel consists of independent experts, who seek specialist advice – generally from museum curators, scholars and members of the art trade – on the object offered. This advice will cover not only the importance, quality and condition of the object but also its open market value. Guided by that advice, the Panel recommends whether or not the object is pre-eminent, in acceptable physical condition and the value it should be accepted at.

What kinds of property can be offered?

The sorts of property which may be accepted are:

- Objects of pre-eminent importance on the grounds of their national, scientific, historic or artistic interest or collections of these sorts of objects.
- Objects associated with an important historic building in public ownership or belonging to certain charities such as the National Trust.
- Land or buildings which are important to the national heritage, this includes buildings of historic and architectural importance and land of historic or scientific significance such as a battlefield or a Site of Special Scientific Interest.

This leaflet will outline the process of acceptance for the first two categories above as different procedures apply for land and buildings.

The Panel's recommendations are made to the Secretary of State at the Department for Culture Media and Sport (DCMS) (or the appropriate Minister in the devolved governments in Scotland or Wales) who decides whether or not to recommend to HMRC that the object should be accepted.

Acceptance will depend on whether there are funds available to meet the cost of the object (that is the tax or duty forgone) and the discretion of the Minister.

Who can use AIL?

Anyone who is liable for inheritance tax or estate duty can offer assets in part or whole payment of that liability.

Louis XIV Boule Cabinet on Stand, © The Fitzwilliam Museum, Cambridge



Where will my object go?

All objects are allocated by the Secretary of State at DCMS (or the appropriate Minister in the devolved governments in Scotland or Wales) to a public institution or charity such as the National Trust, which will be expected to have open public access for at least 100 days a year, to ensure that public access is guaranteed to as many people as possible. The offeror can make the offer conditional upon allocation to a specific institution. If an offer is unconditional, the object's availability will be advertised on the Arts Council's website and institutions are invited to apply.

The Panel will take into account any wishes which have been expressed before offering advice to the relevant Minister on appropriate locations.

Objects associated with a building

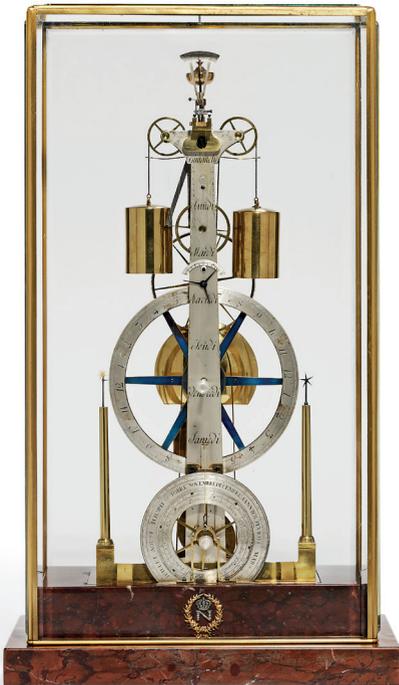
Often objects are offered which have a strong link with an historic building in public ownership, such as a National Trust property. These objects may be transferred to the owner of the building so that they can remain in, or return to, their historic setting, provided that there is sufficient public access.

***In situ* offers**

Some objects are accepted under AIL because of their place in an important historic house in private ownership. Such an object, in addition to being pre-eminent, has an additional significance from being seen within the context for which it was created or with which it has a significant association. In this case, the object can remain *in situ* provided that conditions of security and public access are met. Ownership of the object will pass to a public museum, but the object will be lent to the owner of the house where it will be displayed. It is the responsibility of the offeror to have identified and agreed such an arrangement in principle with a public museum before the offer is submitted.

Benefits for the offeror

- In satisfying a tax or duty liability, an offeror is able to benefit from a greater proportion of its value than if the same object is sold and the proceeds used to meet the liability. This is because of the way in which the credit generated by the object is calculated. For example, if, in order to settle a tax liability, an estate sells an object valued at £100,000 on the open market, inheritance tax is generally payable at a rate of 40% and the estate receives £60,000. If the same object is offered in lieu, 25% of the tax that would have been payable is remitted to the estate, with the result that the object has a tax settlement value of £70,000. An object is, therefore, worth around 17% more if it is offered in lieu of tax than if it is sold on the open market at the same price.
- HM Revenue & Customs cannot 'give change' if the credit generated is greater than the tax payable. However, a public body may be able to pay the difference if the offer is made conditional to that body. This is known as a 'hybrid offer'.
- Interest on the amount of tax settled by the offer will normally stop running from the date the offer is registered as having been made by HMRC.
- There is a reduction to the amount of tax payable on the estate of a person who has died because the offered object is treated as provisionally exempt and it is not brought into account in calculating the taxable estate if it is accepted in lieu. The offered property does not have to have come from the estate in which it is being offered. Someone liable for tax or duty may offer anything which belongs to them.



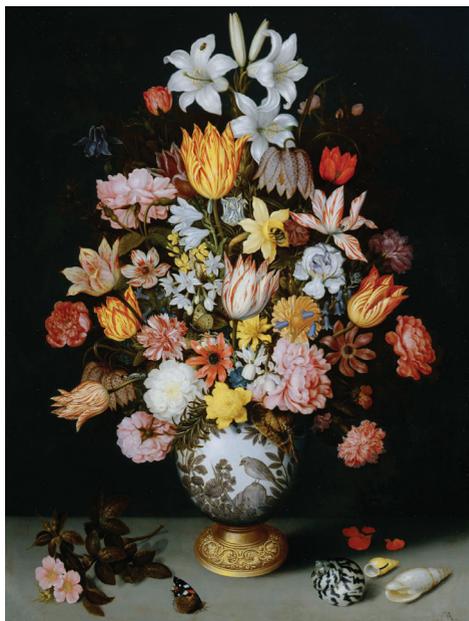
Breguet "Napoleon" Clock

Benefits for the acquiring museum, gallery or library

- The primary benefit for an acquiring museum, gallery or library is that it receives an important object at no cost to itself, except in hybrid cases where it will pay a lower value.
- Objects which may already have been on long-term loan can be acquired.
- Objects of local interest can be retained, provided that they meet the criteria of AIL.
- Objects which may have otherwise been sold abroad are secured for the nation.

How do I make an offer?

Offers should be made to Wealthy and Mid-sized Business Compliance, HM Revenue and Customs, SO842, Heritage Team (Ferrers House), Central Mail Unit, Newcastle NE98 1ZZ. It would be helpful, although not essential, to send a copy to the AIL Secretariat, Arts Council, 21 Bloomsbury Street, London WC1B 3HF.



Ambrosius Bosschaert the Elder: *A bouquet of flowers*

You should include the following:

- a description of the object;
- an explanation of why the object is considered pre-eminent or associated as the case may be;
- a valuation and justification of the valuation;
- a recent condition report of the object if available;
- a high resolution jpeg image or three colour photographs;
- details of any condition or wish as to allocation;
- details of where the object can be inspected and with whom inspection should be arranged;
- evidence that the offeror has good legal title to the object and details of its ownership between 1933-1945;
- details of the occasion which gives rise to the payment of tax (send to HM Revenue & Customs only);
- details of where the object was located at the time the inheritance tax or estate duty liability arose; and
- a note of whether it has ever been given exemption from tax or duty in the past.

What should I do next?

This leaflet outlines the main points of AIL. Inevitably each case will be different. After reading this general guidance we suggest you contact us to find out more.

AIL.Panel@artscouncil.org.uk

Arts Council, Collections and Cultural Property, 21 Stephen St, London W1T 1LN