

Death tax hikes 'to cost charities £10m each year'

By **Ian Drury**
Home Affairs Editor

A NEW 'death tax' will cost charities at least £10million a year, ministers were told last night.

Huge sums will not be handed to good causes because of the rise in probate fees, experts claimed.

The cost of securing probate – legal control over a dead relative's estate – is going up from next April. Around 280,000 families a year will have to pay more than the current £215 fee, with 56,000 facing bills of between £2,500 and £6,000 in future.

Charity chiefs have warned this will have 'serious repercussions' as the increased fees eat up large chunks of estates.

Some 36,500 estates left donations to charities in wills last year. Many of these gifts were a proportion of the value of the estate – for instance, a certain percentage to a hospital.

But if the size of the estate diminishes because of the increased fees, the amount going to charity will also fall.

Experts are also concerned that people making wills may be deterred from leaving money to charity if the bill faced by their loved ones spirals.

A record £2.9billion was left to charities in wills last year, with

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health and cancer groups the biggest beneficiaries.

Matthew Lagden, of the Institute of Legacy Management, which works with organisations that receive charitable donations, said: 'We estimate the increased fees will mean a loss of at least £10million a year for charities at a time when many are struggling to meet growing demand for their services.'

'Under the new proposed fee structure, there can be no doubt that this is a stealth tax that will in part be borne by charities. Introducing a rebate or exemption from the increased fees for charitable estates would cost the Government relatively little and improve the attractiveness of this vital form of giving.'

Rob Cope, of the Remember A Charity consortium, added: 'It is important that any future

changes avoid any unintended consequences to the charity sector and review how a new charging structure could work best to promote legacy giving.'

'Almost one in three charitable estates would face a significant increase in probate fees under the proposed new structure, which we are concerned could lead to a significant loss in income.'

Bereaved families must apply for probate to administer their loved ones' finances when they die. There is currently a fixed fee of £215, or £155 for families who use a solicitor.

But the Government will in future link the charge to the size of the estate, with the levy ranging from £250 to as much as £6,000 for wealth estimated at more than £2million.

Inheritances of less than £50,000 will be exempt, compared with the current less generous threshold of £5,000.

The Ministry of Justice says the fees will never be more than 0.5 per cent of an estate's value and that 25,000 more families will escape the fee each year.

But for estates valued at £500,001 the new bill will be £2,500. One in five families who pay fees will need to find at least this amount.

The MoJ insisted the fee was not a tax and would help plug a shortfall in the £1.6billion cost of the courts service.