

Working in Practice

Death of a Client or an Employee

Self-employed Clients

With the notification of the death of a client the business activity effectively ceases and all transactions and actions should cease, i.e. become frozen.

When the client is a sole trader any work will cease immediately. This is why it is advisable to have a contingency for another person to be able to take over any work in progress.

Accountants (and many other professionals) have a continuity agreement with another accountant to take over their practice in the event of their death.

The most serious issues are with debts owing and any other liabilities. The bank account is frozen when notified by a death certificate. Banks will generally accept cheques presented to them, but a bank cannot accept any cheques written out, as the sole trader has died. If the sole trader has made arrangements for another signatory to the bank account, then cheques can still be written, provided they are dated prior to the date of death of the sole trader.

Any person carrying on trading for the sole trader after death will become liable for their own actions.

A statement of income and expenditure, or a profit and loss account, with a balance sheet must be prepared up to, and as at, the date of death. If registered for VAT claims can be made for expenses incurred after death if related to the business activity e.g. the accountants' fees with VAT.

The executor or personal representative of the deceased will be responsible for the disposal and sale of any assets, and the settlement of outstanding bills and commitments.

The easiest way to achieve this is to open a new bank account in the name of the deceased with the personal representative being the signatory to the bank account. When the probate etc is finalised then the bank will close the old bank account according to the instructions of the executor.

The death of a partner in a partnership does not present any problems other than the bank account signatories and any liabilities for guarantees. Otherwise the partnership carries on.

Employees

When notification of the death of an employee is received, then immediate effect is that the employment ceases.

The employee is entitled to his full pay and any other entitlements such as holiday pay calculated up to the date of death. This is paid to his personal representative.

A P45 is prepared and all parts sent to the Inland Revenue. On part 1 at the bottom is a box in which the letter D is placed, which denotes (Died, Dead, Deceased or Departed).

If the employee is a member of the company pension scheme or is entitled to life assurance then the relevant insurers must be notified when a death certificate is provided.