Institution **CIOT - CTA**
Course **Adv Tech IHT Trusts and Estates**
Rectified **YES**
Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID [redacted]

Count(s)	Word(s)	Char(s)	Char(s) (WS)
Section 1	**932**	**3991**	**4854**
Section 2	**540**	**2729**	**3227**
Section 3	**548**	**2692**	**3217**
Section 4	**470**	**2479**	**2944**
Section 5	**495**	**2405**	**2799**
Section 6	**623**	**3434**	**3984**
Total	**3608**	**17730**	**21025**

George UK LTR status:

Need to have been uk res at least 10 of the last 20 years to be a uk ltr

George has been a UK res since 2018/19

Below see the years of UK residence

1. 2018/19
2. 19/20
3. 20/21
4. 21/22
5. 22/23
6. 23/24
7. 24/25
8. 25/26
9. 26/27
10. 27/28

If he leaves on 5 april 2027. His last year of UK residence will have been 2026/27. This means in the following years (once he has left the UK) he will have only been a UK resident for 9 years. He is therefore not a UK LTR and does not trigger a tail

If he leaves on 5 April 2028. His last year of UK residence will have been 2027/28. This means in the following years (once he has left the UK) he will have been a UK resident for 10 years. He therefore triggers the UK LTR rules. As he leave with his past 10 years being UK res, he will have a tail - this is limited to 3 years (as he has only spent 10 of the last 20 years as UK res)

This means that for the following 3 years 2028/29, 2029/30 and 2030/31 he will be

considered a UK LTR for tax purposes.

George created a discretionary trust in 2020 - as he was not UK domicile at the time (pre Apr 2025 rules apply here), the trust is not a UK trust for IHT purposes. This means that the trust's no UK assets are excepted assets and are not within the relevant property regime.
When the UK LTR rules came in, instead of the settlor domicile at time of settlement, instead the settlor's current uk ltr status is considered.

This means that if he leaves in 5 April 2028, the trust will become a UK trust for IHT purposes as the settlor is UK LTR

Leaving in 5 April 2027 does not trigger this. Therefore the trust has no IHT issues if he leave the uk on 5 april 2027

If he leave on 5 april 2028, the trust's worlwide assets beomce relevant property for 3 years.

This will trigger two iht charges. One on 1 December 2030, where the 10 year charge (PC) is triggered - 10 years are settlement of the trust

On 5 April 2031, when the settlor becomes non-UK LTR and there is an exit charge on all the trust assets that are leaving relevant property regime.

PC

Current value (1 dec 2030)	1,000,000		
Less NRB	(325,000)		
No chargeable transfers in 7 years prior to settlement	0		
	675,000		
@20%	135,000		
	135,000/1,000,000 * 100 = 13.5%		
	13.5% * 30% * 11/40		w1
	1.11375%		
Value of trust * %	1,000,000 * 1.11375%		
PC due	11,138		
	Due by trustees end of 6th month after charge date. end of 6th month after 1 Dec 2030		
	Due 30 June 3031		

w1 (x-n)/40
x = 40 (10 years)
n = 1 Dec 2020 - 5 April 2028 - 7 yrs + 1 quarter = 29

40-29 = 11

EC 5 April 2031
Use 13.5% rate from above

13.5% * 30% * n/40

n = quaters from 1 Dec 2030 to 5 April 2031 = 1

13.5% * 30% * 1/40 = 0.10125%

Value of assets leaving: 1,050,000

0.10125% * 1,050,000 = 1,063

Due end of 6th month after 5 april 2031 - due 31 October 2031

UK LTR IHT on death - worlwide estate
Non-UK IHT on death - UK Land & Prperty
From an IHT perspective, on the home, regardless of his UK LTR status, the home will fall within his estate.
During his period of UK LTR the 1.9million in foreign assets will also be within his estate
As a discretionary trust, the trust is outside of his estate

This means that if he leaves in 5 April 2027 and doesn't sell his house, he will pay IHT on the house on death.
Using the 5 April 2027 valuation that amount will be
1,000,000
Less NRB (325,0000)
Less RNRB (175,000)
500,000
@40%
200,000

Using the 5 April 2028 valuation (1,050,000 house value instead)
That amount will increase by 50000 @40% = 20,000

IHT due 220,000
IHT due on death is due end of 6th month after death by executors.

If he leaves on 5 April 2028, he will be UK LTR for 3 years
During this period up til 6 April 2031, his worldwide estate will be taxable on his death.
Using 5 April 2028 valuations this is:
Estate:
House: 1,050,000
Foreign Assets: 2,000,000
Total 3,050,000
Less NRB (325,000)
No RNRB remaining (taperred over 2 million): 0
2,725,000
IHT @40% 1,090,000
IHT due on death is due end of 6th month after death by executors.

Note that double tax relief would be available on the foreign assets if he paid tax on them abroad. This would be deducted from the IHT due

He has 325,000 NRB available in all situations as he made no chargeable transfers in 7

years prior to death. the 1 Dec 2020 settlement is not a chargeable transfer as it was made whilst he was non-uk dom and non uk ltr (depending on which rules)
As he is divorced no NRB or RNRB has been transferred to him.

During the period of UK LTR, selling the home wouldnt impact IHT as his entire estate is chargeable (cash recieved would be chareable instead - could remove rnrb if gross value of estate within 2,350,000. However, when he is not UK LTR the home having been sold removes it from the estate and he can move the cash abroad or use it on foreign assets and it will not be within his esstate.

----------ANSWER-1-ABOVE----------

----------ANSWER-2-BELOW----------

The cgt & income tax residence of a trust depends on the trustees (if mixed depends on UKT LTR status of settlor)

As all the trustees (the trust corporation) are resident in Jersey, teh trust in a non-uk resident trust for cgt & income tax purposes.

This means that the trustees are not taxed on worldwide income and gain. Instead they are only taxed on uk income and gains.
Whilst the resident is not a UK resident, this is further restricted so that certain uk income is not taxed on the trustees - e.g. uk dividends from publically traded companies and interest from uk bank accounts.

As the truste is not a uk-res trust, and has no UK assets, all of its income & gains are overseas and not taxable on the trustees.

However, the trust is considered settlor interested for both income & cgt purposes

This is because his wife can beenfit from the trust.

From Income tax purposes if settlor or wife can benefit it is settlor interested
For CGT purposes if settlor, wife or minor children can benefit it is settlor interest

This means that the worldwide income and gains arising on the trust can be taxed on Balraj as they arise - as if it is his income & gains.

As this is an overseas trust, the settlor interested provisions only apply if he is a UK resident.

When a UK resident beneficiary recieves a distribution from the trust, this will be matched first to the accumulated income pool of the trust, this is the accumulated income that has arisen without being distributed.

It will then be matched to any capital gains in the current year, then previous year, and so forth. There is a supplementary charge (up to 60%) increasing by 10% for each year you go back. Current year and prior year are exempt. This charge is on the cgt liability

The accumulated income of the trust is
8,000 + 7,500 + 7,000 + 6,500 + 6,000 = 35,000

Distribution of 60,000 first matched to this 35,000 income

SO Daniel recives 35,000 of income

This will be taxed at his personal rates - he has no sources of income or gains so:
12,570 PA
22,430 @ 20% =4,486
all treated as NS income

the remaining 25,000 will be matched to capital gains
Current year, loss no matching - Cannot carry a capital loss back (only forwards)
2024/25 - 15,000 (less 6,500 23/24 loss carried forwards)
= 8,500

25,000 - 8,500 =16,500 remaining

2022/23 - 3,525 matched

16,500 - 3,525 = 12,975

2021/22 - 12,000 matched

975 capital gain from 2021/22 reamins unattributed

CGT 25,000 attributed
3,000 AEA
15,270 (remaining basic rate band) taxed at 18% = 2830
6,730 taxed at 24% = 1,615

CGT = 4,445

distribution in 2026/27
So no supplemantary charge for 2026/27 and 2025/26

2024/25 20%
2023/24 30%
2022/23 40%
2021/22 50%

2021/22 12,000/24,025 * 4,445 = 2,200

50% charge = 1,100

2022/23 3,525/24,025 * 4,445 = 652
@40% charge = 261

2024/25 8,500/24,025 * 4,445 = 1,573
@20% charge = 314

Total CGT:
4,445 + 1,100 + 261 + 341 = 6,147

Income tax: 4,486

Total tax due: 10,633

Daniel must file a self assessment tax return for tax year 2026/27 due 31 Jan 2028 to apy this tax

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----------ANSWER-2-ABOVE----------

----------ANSWER-3-BELOW----------

Brian could create a disabled persons trust for Hannah
This would be treated as a PET - and will triger a deemed disposal as a transfer to a connected person
The value of the transfer could be redued by AEA of (3,000). Brian's previous year AEA one could be used as well. reducing it by a total of 6,000.
This is a PET, so if Brian passes away within 7 years this will be a chargeable transfer, taxed at 40% IHT.
NRB may reduce this
Taper relief will be available if Brian dies between 3-7 years after the gift.

This will not be a relevant property trust. There will be no PCs every 10 years or ECs on distribution of capital.

The trust will be within the estate of Hannah, so when Hannah passes away it will be charged to IHT

The qualifying conditions for a disabled person's trust:
A person in receipt of a disability living allowance by virtue of entitlement to
i the care compenent at the highest or middle rate, or
ii the mobility component at the higher rate
If settled property and income arising from it is applied during the disabled person's life for the benefit of a beneficiary, it must be for the benefit of the disabled person
any power to bring the trust to an end during Hannah's life is such that either Hannah will be entitled absolutely to the settled property or a disabled persons interest wwill subsist in the settled property

The lower of 3,000 and 3% of the amount that is the maximum value of the settled property during the period in question may be used on something other than the disabled person. This is a per annum amount

As a default the trust will be taxed on the income and gains arising at IIP levels. 20%/20%/8.75% (8.75% for divs). And capital agins at 24%.

An election may be made so taht the trust income is treated as generating on Hannah, this would mean that the her allowances (e.g. personal allowance) and tax rate may be used. This would decrease the tax liability of the trust. This election must be made jointly by the trustees and Hannah

It must be made within 2 years

Hannah will have an aboslute entitlement to the income so it must be distributed yearly. On distribution, she will be recieve the income with a tax credit at 20/20/8.75%.

But will be able to claim refunds if necessary - the trustees will be entitled to the refunds.

Trusts for disabled persons - post 9 march 1981

Self-settlement
Hannah could settle this trust with her own funds.

This would not be a PET, as it is passing ot her own estate. It would also not triger a cgt charge as a deemed dispsoal as it is a transfer to herself.

Grace could be added as a beneficiary - however she would be unable to recieve any beefit from the trust until Hannah's death.
At this point the trust would be part of Hannah's estate and chargeable to IHT
Grace would act as the remainderman, becoming the beneficiary to a discretionary trust once Hannah has died.

The trustees would pay the IHT on the trust on Hannahs death

It will be due at the end of the 6th month after her death.

----------ANSWER-3-ABOVE----------

----------ANSWER-4-BELOW----------

Steph left entire estate to Alex. NO IHT as spousal exemption, so no NRB or RNRB used (also below 2mil so no taper on RNRB)

Alex recieves 100% of her transferred NRB and RNRB

Lifetime all PETs no IHT due

On death, APR/BPR

15 March 2020
Loss to donor principle, gift of 150,000
PET of 150,000
No AEA available (already used up)
150,000

50,000 to each child
Tom
50,000
Less APR (50,000)
No IHT

Josh
50,000
Less APR(50,000)
Add back APR as he withdrrew from partnership 50,000
50,000
Less NRB (650,000)
No IHT due

APR @ 100 becaus not a pre 1995 lease, its a trading partnership - so BPR would cover the remaining 50%
Both are added back as Josh did not form part of the partnership on the death of Alex.

Layla

BPR relief (replaced business property with business property within 3 eyars of selling, so BPR still available(50,000)
Gift 50,000
Less (50,000)

0
qualifies for BPR as trading partnership, that alex held for more than 2 years

23 April 2024
PET of AM Contracting Ltd 230,000
No AEA available (already used up)
CT 230,000
Less BPR (230,000)
No IHT due
As Josh continues to own shareholding, the BPR is not withdrwan.
This qualifies for BPR, because it is shares in an unquoted company that is a trading company - and Alex held them for more than 2 years

27 December 2024
25,000 PET to daugher
Less wedding exemption to daughter(5,000)
No AEA available (already used up)
20,000
Less NRB remaining (600,000)
No IHT

Estate			
Moore Farming Partnership	1,050,000		
Less APR	1,050,000		w1
		0	
AM Contracting	200,000		
Less BPR	200,000		w2
		0	
Barn used by AM	105,000		
Less 50% BPR	0		
		105,000	w3
River Farmhouse	230,000		
Less APR	185,000		w4
		45,000	
Commerical Rental Units		0	w5
cash & Chattels		65,000	
		215,000	

Less Funeral Expnese		(5,000)	allowable as reasonable
		210,000	
Less RNRB		(45,000)	w6
Less NRB		(580,000)	w7
		0	
IHT @ 40%		0	

Tax would be due 6th month after death of Alex 31 October 2026.

w1 Farming Partnership, not a tenanted pre 1995 lease, so 100% APR

w2 100% BPR as woned more than 2 years + unquoted shares in trading company

w3 50% BPR is available on property used by aun quoted trading company - BUT only if you have a controlling share, Alex only has a 40% share on death (as he gifted 60%), so he will not get the 50%

w4 As farmhouse is of reasonable size and nature + alex lives there and manages farm partnership from there APR is available on agricultaral value of farmhouse

w5 No BPR as the business is letting out of land/propery

w6 350,000 RNRB available, so long as passed to lineal descendant. limited to value of property passed, Farmhouse 230,000 - 185,000 for APR already claimed = 45,000

w7 TNRB at 100% = 650,000 total
Less chargeable transfers in past 7 years - 50,000 & 20,000. 580,000 remaining.

----------ANSWER-4-ABOVE----------

----------ANSWER-5-BELOW----------

Income from ISA is tax free on estate for the first 3 years. SO none of the ISA divends here are taxable.

Loan interest allowable in first year of loan. Loan paid back within first year, so fully allowable

Income
23/24

	NS	Interest	Div	
	£	£	£	
Bank Interest		6,700		
Dividends uk comp.			2,750	
Rental Profit	10,650			
Less Loan Interest	(1,750)			
	8,900	6,700	2,750	
Taxable at 20/20/8.75%	1,780	1,340	241	
Post Tax & expenses	7,120	5,360	2,509	
	Less 1,300 Already distributed			
	5,820			

24/25	NS	Interest	Div
	£	£	£
Bank Int		6,000	
Dividends UK comp.			3,275

Rental Prof	9,800		
	9,800	6,000	3,275
Taxable at 20/20/8.75%	1,960	1,200	287
Post Tax & expenses	7,840	4,800	2,988

25/26	NS	Int	Div
	£	£	£
Bank Int		2,000	
Dividends UK comp			400
Rental	1,835		
	1,835	2,000	400
Taxable at 20/20/8.75%	367	400	35
Post Tax & expenses	1,468	1,600	365

Income tax due:

1,780 + 1,340 + 241 + 1,960 + 1,200 + 287 + 367 + 400 + 35
=7,610

Total NS: 1,780 + 1,960 + 367 = 4,107
Total Int: 1,340 + 1,200 + 400 = 2,940
Total Divs: 241 + 287 + 35 = 562

The post tax & espneses income is 7,120 5,360 2,509 7,840 4,800 2,988 1,468 1,600 365

This is 34,050
Split between
NS: 16,428
Int: 11,760
Divs: 5,862

This is split 4 ways
NS: 4107
Int:2940
Divs: 1466

No income other than the 1,300 has been distributed to Max. Remaining income is distribued on on end of administration period - 31 May 2025.

This income is distributed, retaining its character with a tax credit of 20%/20%/8.75 (8.75% for divs), The net figure distributed is post tax trust paid and expenses

Total Income post tax & expenses

R185 (Dean Evie & Jack have same R185)

	NS	Int	Div
Net	4107	2940	1466
Tax	821	588	128

Net amounts the total divided by 4

Max	NS	Int	Div
w1	2807	2940	1466
	561	588	128

w1Max income distributed for 2023/24
Max share of NS 2023/24 income = 7,120/4 = 1870

The 1,300 is taken out of this as priority. So remaining is 4107-1300

As the CGT is on the sale of residential porperty, it will not be reported via SA, but instead on a RGC capital gains returns online. It must be reported within 60 days of the sale. So its due 60 days after 1 Feb 2024. So its due 3 April 2024.

Total estate tax liability is above 10,000 (its 7,610 + 9,600 cgt). So the estae must do

yearly SA tax returns, reporting trust income and gains. Below are the dates of payment and reporting (they are the same)
These are the the 31 Jan following the tax year. So 31 jan 2025 for 23/24, 31 jan 2026 for 24/25 and 31 jan 2027, for 25/26

As the income is above 500 for all yeas, no de-minimus is triggered and the returns must be filed.

These are filed with HMRC - the 2023/24 SA tax return must show the gain on teh sale of the property - even the residential property.

----------ANSWER-5-ABOVE----------

----------ANSWER-6-BELOW----------

QUESTION 6 (I ACCIDENTLY DELTED THE DIVIDER, SORRY)

never married or civil partnership so no transfered nrb or rnrb

left entire estate to niece - no rnrb (as not lineal descendant)

Estate

Banana plc		100,000		
Citrus Plc		25,000		
Dragon plc		50,000		
townhouse		700,000		
lodge		500,000		
bungalow		310,000		
cash		210,000		

car		197,000		
chattels		35,000		
		2,127,000		
		(10,401)	w1	
		(30,000)	w2	
		2,086,599		
NRB (no transfered or Rnrb - see above)		(325,000)		
		1,761,599		
IHT @ 40%		704,640		

No bpr as shares quoted

Post mortem relief for sale of shares
executors can claim to have all shares sold in the 12 months after the death have their capital gain/loss netted together.
The total loss here may be deducted from the estate value, lowering IHT due.
This will set the disposal value as the probate value for relevant shares for cgt purposes

This may be restricted if any shares are purchased during this period (limited to 2 months before the last share sale within the 12 months)

w1
Dragon plc shares 6,000: 52,000

Base cost (probate value) 4,000 shares: 50,000
Rights issue: 8,000

Loss 6,000

Banana plc 10,000 disposal: 95,000
probate value: 100,000

Loss: 5,000

Citrus shares - more than 12 months after death

Total loss 11,000

Restricted by value of shares bought

restriction: Loss * Value of shares purchased/disposal proceeds

11,000 * 8,000/(52,000 + 95,000) = 599

Loss allowable 10,401

Post mortem relief for sale of property
executors can claim to have all property sold in the 3 years after the death have their capital gain/loss netted together. + losses in 5th year
The total loss here may be deducted from the estate value, lowering IHT due.
This will set the disposal value as the probate value for relevant shares for cgt purposes

This may be restricted if any shares are purchased during this period (limited to 4 months before the last share sale within the 3 years)

De minimus (not included if) loss/gain less than lower of 1,000 or 5 of probate value
w2 Lodge:
Disposal: 565,000
Probate: 500,000
Loss 65,000

Bungalow:
Disposal: 275,000
Probate: 310,000
Gain: 35,000

Townhouse (only if loss)
Disposal 750,000
Probate: 700,000
Gain of 50,000 not included as within 4th year (only losses allowed)

Net loss 65,000 - 35,000 = 30,000

8,000 sp2/04 as estate is between 1-5 million, must b apportioned
8,000/2,127,000 =0.003761165

Dragon Plc
Disposal: 58,000
Base Cost: 58,000 (same as disposal because post mortem relief claimed)
Cost of Sale: 260
Probate cost: 50,000 * 0.003761165 = 188, so use 250 probate cost instead (as higher)

Loss: (510)

Banana Plc
Disposal: 95,000
Base Cost: 95,000 (same as disposal because post mortem relief claimed)
Cost of Sale: 475
Probate cost:0.003761165 * 100,000 = 376 (higher than probate cost of 250 - so use 376)
Loss: (851)

Citrus Plc
Disposal: 12,000
Base Cost: 25,000
Cost of Sale: 60
Probate cost: 0.003761165 * 25,000 = 94, ower than 250 probate cost - use 250 probate cost

Loss: (12,310)

Lodge
Disposal: 565,000
Base Cost: 565,000 (same as disposal because post mortem relief claimed)
Cost of Sale: 14,125
Probate cost: 0.003761165 * 500,000 = 1880 - use probate cost as 2,625 is higher

Loss: (16,750)

Bungalow
Disposal: 275,000
Base Cost: 275,000 (same as disposal because post mortem relief claimed)
Cost of Sale: 6,875
Probate cost: 0.003761165 * 310,000 = 1166 (use this as higher than 750 probate cost)

Loss: (8041)

Townhouse
Disposal: 750,000
Base Cost: 700,000
Cost of Sale: 18,750
Probate cost: 0.003761165 * 700,000 = 2,633 (use this as higher than probate value of 2,000)

Gain: 28,617

Total Losses: 510 + 851 + 12,310 + 16,750 + 8,041 = 38,462

Net = 9,845 loss

Losses carried forwards to offset the only gain (gain was last disposal)

returns due as part of SA 31 jan following end of tax year for shares

If total cgt & income tax is below 10,000 - can be done in 1 go at the end (write to hmrc using Abbas' UTR)

returns due 60 days after sale for properties