

CIOT - ATT-CTA

Paper: **CTA Awareness**

Part/Module: **Module B**

-----ANSWER-13-BELOW-----

Answer-to-Question- 13

- 1) The £400,000 to her husband is exempt for IHT
- 2) The £150,000 to her daughter is a PET and is not chargeable to IHT providing Wendy lives 7 years
- 3) The £500,000 to a discretionary will be reduced by the annual exempt limit of £3,000 then reduced by her lifetime limit of £325,000 and then will be taxed at 20%
- 4) The gifts of £200 are exempt from IHT as small gifts in a year

-----ANSWER-13-ABOVE-----

-----ANSWER-14-BELOW-----

Answer-to-Question- 14

Esters estate	£4,200,000
residence relief passed to a descendant	£0 as exceeds £2M
Nil rate band	(£325,000)
Total	£3,875,000
IHT at 40%	£1,550,000
less QSR	£230,096
Total IHT due	£1,319,904

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| Quick succession relief for 2-3 years
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| £515,217 X 60% X (£1,500,000 / £2,015,217) = £230,096
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IHT from John's will attributable to Esther
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| $\text{£790,000} \times \text{£1,500,000} / \text{£2,300,000} = \text{£515,217}$
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-----ANSWER-14-ABOVE-----

-----ANSWER-15-BELOW-----

Answer-to-Question- 15

The inheritance tax due would be

tax paid at time of gift £650,000 - £325,000 x 20/80 = £81,250

As per IHTA S131 a fall in value claim can be made

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IHT due by trustees	£36,750				
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-----ANSWER-15-ABOVE-----

-----ANSWER-16-BELOW-----

Answer-to-Question- 16

- 1) Kens shares would be valued as a percentage of the whole 100% as opposed to valuing his actually percentage which may or maynot be a controlling interest and therefore the valuation could be a lot lower valuing his exact percentage
- 2) The valuatino of the unit trust is the price quoted on the day of trading and is the lower of the bid and offer

The valuation of the shares is either a quarter up from the bid price or an average of the highest and lowest marked bargins on the relevant day - which ever gives the lowest valuation is the one that is used

-----ANSWER-16-ABOVE-----

-----ANSWER-17-BELOW-----

Answer-to-Question- 17 -

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current valuation					£1,350,000
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nil rate			£325,000		
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Chargeable gift					
30/3/2009			(£100,000)		
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Distrubtion			(£180,000)		
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					(£45,000)
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Chargeable					£1,305,000
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Notional tax X 20%					£261,000
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Effective rate	£261,000/	£1,350,000			19.33%
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Actual rate	19.33%	X 30%	X 40/40		5.80%
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Principal charge	5.8%	X £1,350,000			£78,300
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-----ANSWER-17-ABOVE-----

-----ANSWER-18-BELOW-----

Answer-to-Question- 18

as Herbert did not use his nil rate band this can be transferred to Marge

Estate	£1,500,000
Nil rate band x 2	(£650,000)
IHT	£850,000

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-----ANSWER-18-ABOVE-----

Exam Mode **OPEN LAPTOP + NETWORK**

-----ANSWER-19-BELOW-----

Answer-to-Question- 19

- 1) In 1972 Daniella would have a domicile of origin in Portugal because this is where her father was born

In 2021 Daniella would still have a domicile status of Portugal of choice as this is where she intended to return to, she would only gain a domicile of choice as UK if that is where she intended to stay and she could elect for that Domicile status otherwise she would have been deemed domicile of UK if she had been resident for 15 of the 20 years

- 2) The tax treatment of Dani Lda is that as she is not domiciled in the UK and therefore assets situated outside the UK are excluded property and therefore does not come under an inheritance tax charge, assets in the UK will be charged to inheritance tax

-----ANSWER-19-ABOVE-----

-----ANSWER-20-BELOW-----

Answer-to-Question-_20_

-----ANSWER-20-ABOVE-----

-----ANSWER-21-BELOW-----

Answer-to-Question-_21_

provide income for a child
it is protected

-----ANSWER-21-ABOVE-----

-----ANSWER-22-BELOW-----

Answer-to-Question-_22_

-----ANSWER-22-ABOVE-----

-----ANSWER-23-BELOW-----

Answer-to-Question-_23_

-----ANSWER-23-ABOVE-----

-----ANSWER-24-BELOW-----

Answer-to-Question-_24_

-----ANSWER-24-ABOVE-----
