

The Chartered Institute of Taxation

Awareness

Module B: Inheritance Tax, Trusts & Estates

November 2025

Suggested answers

Answer 13

15 September 2024	The gift to her nephew is a PET. <u>£1,000</u> is covered by the marriage exemption and the remaining £1,500 uses part of the <u>annual exemption for 2024/25</u> .	1 1
31 December 2024	The gift to the discretionary trust is a CLT. £1,500 is covered by the remaining annual exemption for 2024/25 and a further £3,000 by the annual exemption for 2023/24, giving a net CLT of £395,500. The full nil rate band of <u>£325,000</u> is available and the Inheritance Tax on the excess is at <u>25%</u> as it is paid by Adele, so 25% x (£395,500 - £325,000) = £17,625.	1 1 1

Answer 14

- 1) IHT: 40% x £(240,000 + 530,000) = £308,000. 1
- 2) The tax on the cash and quoted shares of £212,000 (£530,000 x 40%) cannot be paid in instalments. 1*
- The house is qualifying land and buildings, so the tax of £96,000 (£240,000 x 40%) can be paid in instalments if the Executors make a claim. 1
- The ten equal instalments of £9,600 start on the normal due date of 31 July 2025, being six months after the end of the month of death, and will be interest-bearing. 1

**Does not have to be stated, can be awarded for not including this in instalment calculation.*

Answer 15

	£	£	
Unused RNRB on Molly's death:	100,000		
Tapered as Molly's estate exceeded £2 million			
½ x £(2,300,000 – 2,000,000)	<u>(150,000)</u>		
Justin's RNRB		Nil	1
Available RNRB on Justin's death		<u>175,000</u>	1
Available NRB on Justin's death:			
£325,000 - £250,000		<u>£75,000</u>	1
IHT payable			
£175,000 x 0%			
£75,000 x 0%			
<u>£500,000 x 40%</u>		<u>£200,000</u>	1
<u>£750,000</u>			
Due 30 September 2025			1

Answer 16

1974/75: Thato was born in South Africa, however his <u>domicile of origin is France</u> as it is taken from his father.	1
1980/81: When Thato's parents moved to and became domiciled in Germany, as he was under 16 years of age his <u>domicile of dependency was Germany</u> .	1
2024/25: Thato will be deemed domiciled in the UK if he has been resident in the UK for at least <u>15 of the preceding 20 tax years</u> .	1
Thato has only been resident in the UK for the <u>14 years</u> preceding 2024/25 (2010/11 – 2023/24), he is still domiciled in Germany and will <u>not be deemed domiciled in the UK in 2024/25</u> .	1

Answer 17

March 2013

Transfer is more than seven years before death so not chargeable 1*

September 2019

Gross chargeable transfer of £205,000 is covered by the nil rate band 1*

January 2022

	£	£	
Gross chargeable transfer		300,000	
NRB	325,000		
Less GCT in previous 7 years	<u>(205,000)</u>		
		<u>(120,000)</u>	1
		<u>£180,000</u>	
IHT x 40%		72,000	
Less taper relief: 3-4 years 20%		(14,400)	1
Less lifetime tax		<u>(36,000)</u>	1
IHT payable		<u>£21,600</u>	

** Does not need to be stated, will be awarded if correct treatment evident from January 2022 calculation*

Answer 18

	<i>Probate value</i>	<i>Gross sale proceeds</i>	<i>Profit/ (loss)</i>	
	£	£	£	
Flat in London	650,000	680,000	30,000	
Flat in Manchester – loss disregarded as it is less than £1,000 (being lower than 5% of probate value)	120,000	119,500	-	1
House in Manchester	420,000	380,000	(40,000)	
House in Liverpool – ignore as profit in fourth year	220,000	240,000	-	1
Flat in Liverpool – loss in fourth year can be counted	<u>133,000</u>	<u>125,000</u>	(8,000)	1
No restriction for land purchase as it is outside the relevant period of 1 January 2022 and 1 April 2025				1
Reduction in the value of the death estate			<u>£18,000</u>	1

Answer 19

Although Darcy has owned the land for less than a year, the combined ownership period of Darcy and her husband meets the two year ownership condition. 1

On the transfer of the land to the discretionary trust, Agricultural Property Relief (APR) at 100% is available on the agricultural value of the land, i.e. the part of the land which was used for farming. 1

APR will not be available on the part of the land that was used for fishing, shooting and other sporting rights, however Business Property Relief (BPR) at 100% may be due since this was run as a business. 1

BPR at 100% may also be available on any development value of the farmland. 1

Answer 20

	£	£	
Current value of relevant property at 10 year anniversary		880,000	
Nil rate band 2024/25	325,000		
Less Nicola's CLTs < 7 years of creation	(150,000)		1
Less distributions in last 10 years	(75,000)		1
		(100,000)	
		£780,000	
Notional IHT at 20%		£156,000	1
Effective rate: £156,000 / £880,000 x 100		17,727%	
Actual rate: 17.727% x 30%		5.318%	1
Principal charge: £880,000 x 5.318%		£46,798	1

Answer 21

A shareholding in a quoted trading company held for at least two years qualifies for BPR at 50% if the donor has control of the company. 1+1
1

Related property is taken into account when determining whether control exists. Between them, Terrance and Katy have a 70% holding, therefore the shares qualify for BPR. 1

Shares in an investment company do not qualify for BPR. 1

Answer 22

	<i>Non savings</i> £	<i>Savings</i> £	<i>Dividends</i> £	
Property income (£37,000 - £15,000)	22,000			1
Interest		10,000		
Dividends			7,000	
Taxable income	22,000	10,000	7,000	1*
Income tax:			4,400	1
£22,000 x 20%			2,000	1**
£10,000 x 20%			613	1**
£7,000 x 8.75%			£7,013	

* For not deducting management expenses

** For no savings allowance or dividend allowance

Answer 23

	£	<i>Residential Property gain</i> £	<i>Other gain</i> £	
Gains during year		35,000	10,000	
Current year loss		(3,250)		1
AEA - £1,500 / 6 = £250, but minimum allowance		(300)		1+1
Taxable gains		31,450	10,000	
CGT x 24%/20%	9,548	7,548	2,000	1
Tax paid during year	(7,680)			
Payable 31 January 2026	£1,868			1

Answer 24

	<i>Total</i> £	<i>Non savings</i> £	<i>Dividends</i> £	
Rental income (£1,125 x 8 months)	9,000	9,000		1
Dividends	2,000		2,000	
Less deductible payment	(3,000)	(3,000)		1
Taxable income	8,000	6,000	2,000	1*
Income Tax:				
£6,000 x 20%	1,200			
£2,000 x 8.75%	175			
Income Tax payable	£1,375			1
Payable 31 January 2026				1

* For no deduction of personal allowance or dividend allowance.