Institution **CIOT - CTA**
Course **Adv Tech IHT Trusts and Estates**

Event **NA**

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Exam ID [redacted]

Count(s)	Word(s)	Char(s)	Char(s) (WS)
Section 1	**915**	**4218**	**4990**
Section 2	**692**	**3026**	**3602**
Section 3	**880**	**4107**	**4908**
Section 4	**910**	**4139**	**4908**
Section 5	**1447**	**6338**	**7701**
Section 6	**748**	**3383**	**4108**
Total	**5592**	**25211**	**30217**

Answer-to-Question-_1_

Barbara died leaving an interest in possession to Albert in respect of the family home and she also left her full estate to Albert absoluetly this means that no element of her estate was chargeeable and that her NRB and RNRB will have been considered to be unused as the transfer to Albert was covered by the spousal exemption on death.

Therefore, Albert on death can benefit from an uplift on the NRB of 100% and an uplift on the RNRB of 100% on death.

325,000 x 200% = 650,000

175,000 x 200% = 350,000

Lifetime Transfers

March 2016 - He gifted a caravan to his two daughters worth £16,000, this is a PET for IHT purposes, however, as he retained the use of the Caravan and still benefited from the asset despite gifting it. This will be considered a gift with reservation of benefit for IHT purposes.

The fact he paid for upkeep of the repairs and maintenance is irrelevant as he had use of the property without paying a market value rent.

Therefore the gift will be deemed to have failed and will be assessable in his death estate, as this failed PET was not chargeable the PET will be outside the scope of IHT and the

asset will be charged in the death estate at £19,000.

February 2023 - He made a gift to his daughters of £18,000 and this is a PET for IHT purposes which means that during his lifetime no IHT will have been paid. However, he died within 7 years of making the gift such that the PET becomes chargeable on his death and no taper relief is available.

Re-visit Lifetime transfers on death

March 2016

The PET made to his daughters in March 2016 has escaped IHT for the purposes of being a PET, however, the gift is a failed gift and will be charged in Albert's death estate using the market value at death as illustrated below in the death estate calcualtion.

Where a double tax arises in respcet of the gift we should do a double charges computation and take the higher amount, here this is not needed as the first gift is not taxable.

February 2023

This is a failed PET and is taxable on death, with no taper relief as the date of the gift was within 3 years of his death.

	£		
Gift (£18,000 x 2)	36,000		
Less: AEA (3,000 x2) c/f	(6,000)		

Less: NRB	(30,000)		
IHT Due	-		

This tax will be covered by the NRB

Death Estate

	£	Caravan	
Bank Account	124,000		
Pension	exempt		
House	850,000		
Fine Wine Collection	89,500		
ISA	368,000		
Quoted shares	360,000		
shares in big ltd	21,000		
shares in ABC ltd	40,000	19,000	
Total Free Estate + Caravan	1,871,500		
Settled Property	350,000		
Total Estate	2,221,500		
Less: Exempt Legacy	(140,000)		
Less: Legacy to Phillip	(40,000)		
Net Estate	2,035,000		

Less: NRB (£650,000-£20,000 = (£620,000)
Less: RNRB = (£350,000)
Taxable Estate = £1,065,000
IHT @ 40% = 426,000
Tax Due by Executors = 426,000 x 1,871,500/2,221,500 = 358,883
Tax Due by Trustees = 426,000 x 350,000/2,221,500 = 67,117

This tax is due by the 30 November 2025 as the tax is due 6 months from the end of the month in which the death takes place.

Notes

The pension fund is outside the scope of IHT and is not taxable.
The ISA is taxable for IHT purposes.
The legacy to charity is exempt.
The specific gift to Phillip will be exempt.
The NRB is grossed up by Barbara's unused NRB and the failed PET will use the NRB.

The RNRB is available as he is leaving his estate to a lineal descendant and the residence exceeds the value of the RNRB.

Baseline Amount

Total Estate: £2,202,500
Less: Exempt Legacy (40,000)
Less: NRB (620,000)
Baeline Amount £1,542,500 x 10% = £154,250 so the amount donated does not exceed the baseline and will not attract the reduced rate of 36%.

Part 2

	Value	Installments	
Bank Account	124,000	No	
Pension	500,000	Exempt	
House	850,000	Yes	
Fine Wine Collection	89,500	No	
ISA	368,000	No	
Quoted Shares	360,000	No	
Shares in Big Ltd	21,000	No	
Shares in ABC Ltd	40,000	Yes	
Caravan	19,000	Yes	
Settled Property	350,000	Yes	

Estate Rate:

426,000/2,035,000 = 20.934%

Installement Tax	Tax	10%	
House	177,939	17,794	
Shares in Big Ltd	4,396	439	
Shares in ABC Ltd	8,374	837	
Caravan Settled	3,977	397	
Settled Property	73,269	7,327	
Installment Tax		26,794	

Non-Installment tax
Fine wine collection: 89,500 x 20.934% = 18,736
ISA: 368,000 x 20.934% = 77,037
Quoted Shares: 360,000 x 20.934% = 75,362

Non-Installment tax = 171,135 + 26,794

Total tax due on 30 November 2025 = £197,929

Shares in Big Ltd will not qualify for installments as this is not a trading company but they own more than 10% of the company and the value payable by installments exceeds 20% therefore allowable.

Shares in ABC trade Ltd allowed as trading unquotued company with more than 10% of the shares and worth more than £20,000.

The installments on the qualfying shares in trading companies will qualify as tax free installments and also any land for agricultural purposes meaning provided no payments are late no further IHT is due.

The other items are tax bearing installments where the amount outstanding will accrue interest each year and interest will be payable.

The trustees are liable for the installments on the settled property.

Phillip is liable for the installments on the ABC ltd shares.

Gemma and Isabel are liable to the installments on the residue.

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

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

Answer-to-Question-_2_

Part 1

Lifetime Gifts

Feb 2019

The PETs to his children are not chargeable during lifetime, they will only be chargeable on death as he has died within 7 years of making the gift, the value of the homes are irrelevant as he never used the properties they bought.

May 2021

Bill gifted a book which is a PET for IHT purposes and this was worth £26,000 which is the value which will be charged to IHT.

However, Peter sold the book at a loss or less than what he received it for, this means the PET is chargeable and he is being charged on more than what received for it, fall in value relief claim needed.

February 2023

He made a gift to Martha of £20,000 by way of donating a table, Martha then sold the table to Peter who is a connected person.

The orignal gift from Bill to Martha is a PET for IHT purposes.

Re-visit the tranfers on death

Feb 2019

	£		
Gift (£200,000 x 2)	400,000		
Less: AEA (19/20+18/19)	(6,000)		
Taxable	394,000		
Less: NRB	(325,000)		

Chargeable	69,000		
IHT @ 40%	27,600		
Less: Taper relief (5-6 years) - 60%	(16,560)		
IHT Due	11,040		

The IHT is due 6 months from the end of the month in which death occured, IHT due = 28 February 2025 by both Peter and Martha.

Taper relief claim is automatic and no claim or election is needed but the saving for the children will be £6,624 of IHT.

May 2021

	£		
Gift	26,000		
Less: AEA (21/22+202/21)	(6,000)		
Taxable	20,000		
Less: NRB	-		
IHT Due @ 40%	8,000		
Less: Taper relief - 20%	(1,600)		

Tax due under normal rules of a PET = £6,400

However, they can make a fall in value relief claim as the value of the gifted property decreased from the date of gift to the date that Peter sold the book.

The amount of relief is the value at the date of gift less the value of the date of the gift at sale, here that is £26,000-£15,000 = £11,000.

The saving of this would be £11,000 x 40% = £4,400.

February 2023

The gift from Bill to Martha of £20,000 is a PET for IHT purposes and this is the value charged to IHT.

When the gifted table was sold the value was less than the value at the date of gift by £10,000.

A fall in value relief claim can be made on the £10,000 difference to reduce the IHT payable as a benefit. = £20,000-£10,000 = £10,000 x 40% = £4,000.

The fact that Peter is a connected person is irrelevant as the transaction took place at market value.

These claims should be submitted by the executors on the completion of the IHT return and should be submitted no longer than 2 years after the death.

Part 2

For the executors of the estate where assets are sold at a loss there is a relief called post mortem relief that can apply.

There are three types of post morterm relief and this is on the sale of quoted shares, land and property and related property.

1)

	No of.	Cost	
	1,000	25,000	
	200	4,400	
	1,200	29,400	
	(1,000)	(24,500)	
	200	4,900	

	£		
Proceeds	15,000		
Less: Cost	(24,500)		
Less: Costs of sale	(75)		
Less: Probate Costs s/204 8,000 x 25,000/1,500,000	(133)		

Total Loss of £9,708.

However, this lost must be restricted as the executors purchased more shares.

Loss Restriction = 9,708 x 4,400/15,000 = (2,847)

Restricted Loss = £6,861

2)

	No of	Cost	
	600	12,000	
	200	-	
	800	12,000	
	(600)	(9,000)	

	£		
Proceeds	12,000		
Less: Cost	(9,000)		
Less: Probate Costs s/2/04 8,000 x 12,000/1,500,000	(64)		
Capital Gain	2,936		
Less: Annual Exemption	(1,500)		

3) The grandfather clock is exempt for CGT as this is a wasting chattel.

4) Post mortem relief claim can be made as the shares were worth £10,000 and they were sold for £7,000 meaning a £3,000 loss arises for the executors.

5) The sale of the property will mean that the following disposal arises

	£		
Proceeds	800,000		
Less: Cost	(950,000)		
Less: Sales Cost	(3,500)		
Less: Probate Costs	(5,000)		
Total Loss	158,500		

Probate costs are capped at 5,000.

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

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

Answer-to-Question-_3_

Mary is non-UK domiciled and she is UK resident therefore we can discount a formerly domiciled resident. However, she has been UK residence since May 2001.

This means that Mary has been resident in the UK for at least 15 out of the last 20 tax years and therefore Mary will be deemed UK Domicile for IHT purposes.

She turned Long term resident deemed domicile on 2016/17 which means that when she setup the trust it will have been a non-UK Domiciled trust as this follows the domicile of the settlor of the trust at creation.

In addiiton, the trustees are non-resdient which makes the trust non-UK domiciled and also non-UK resident this means taht the cash that was settled in the account is considered excluded property and is not chargeable to IHT.

The shares that were invested in were foreign shares and these are also not in the scope of UK IHT and will also be considered excluded property.

On 2 January 2024 the trustees invested in UK Property, ordinarily as the trust is non-UK domiciled and non-UK resident it would not be taxable on UK Residential property as this would be outside the scope.

However, legislation introduced in 6 April 2015 means that IHT is chargeable on UK Residential property in addition where an overseas trust or company holds UK residential property this became chargeable to UK IHT on 6 April 2017.

The trust is non-UK resident and non-UK domiciled and the trust is not settlor interested for income tax purposes, however, the trus tis settlor interested for CGT purposes as her children can benefit from the trust.

The trust will therefore be taxed under s.87 for CGT as the settlor in not UK deemed domiciled at creation and the trust will be taxed under PFSI as the settlor is UK resident and non-UK domiciled at creation.

PFSI means that the settlor will be taxed on income as they receive a benefit from the trust, she is taxed under this as she is long term resident and UK deemed domicile for IHT purposes.

The UK property will also be in the scope of UK IHT and this will become UK relevant property on 2 January 2024, which means that the residential property will be chargeable to UK IHT and principal charges and exit charges will apply.

Relief will be obtained for the quarters that the proeprty was not considered relevant property.

On 30 October 2025 there will be a principal charge where the UK assets are charged to IHT, this is due on the settlor and the tax is due by 30 Apri 2026.

	£		
Intial Value	-		
Value of additions - CV	480,000		
Less: NRB	(325,000)		
	155,000		
Notional IHT @ 20%	31,000		
ER: 31,000/480,000	6.458%		
AR: 6.458%X30%X(40-32)/40	0.387%		
Principal Charge: 480,000 x 0.387%	1,857		

Part 2

The trust is non-UK Domiciled by virtue of the domicile of the settlor at creation and the trust is also non-UK resident as the trustees of the settlement are non-resident.

This means that we must look to see if the settlor is alive which they are, then we must look to see whether the trust is settlor interested for CGT purposes this is a very wide definition for overseas trusts.

As Ben is the child of Mary and he can benefit from the trust this means that for CGT purposes the trust is settlor interested and any gains arising will be taxed on the beneficiary under s.87 as the beneficiaries are UK resident.

Where he is in receipt of a capital distribution this payment will be matched to the income of the trust but as the trust is not settlor interested for income tax purposes he will not be taxed on gains. Therefore the capital distributions will be taxed against gains in the relevant income pool.

This is matched on a LIFO basis with the gains in the previous years.

Under the one off-distribution method he will not get the benefit of the current year loss being offset against the distribution as this loss will be carried forward. CGT as follows:

	£		
Benefit received	48,000		
Less: 2024/25	-		
Less: 2023/24	(16,000)		
Less: 2022/23	(1,200)		
Less: 2021/22	-		
Less: 2020/21	(2,750)		
Less: 19/20	(3,500)		
Less: 18/19	(3,000)		
	21,550	matched	
	(3,000)		

Over 4 years:

	Benefit	Income	Chargeable
2024/25	12,000	(12,100)	-
2025/26	12,000		11,900-3,000
2026/27	12,000		12,000,-3,000
2027/28	12,000		12,000,-3,000
			35,900,-3,000

Where capital gains are delayed in being brought into the UK there will be a supplementary charge placed on the gains, this starts at 10% per year, and this can reach a maximum of 60%, the supplementary charge will start where the gains have not been brough in the current year or the following year.

He will get the benefit of a £12,000 loss if the payment is delayed, this will mean that the payment in the nexr year will be reduced to nil with no tax payable.

Delaying the distribution will also ensure that Ben can utilise his basic rate band for CGT purposes taxing the gains at 10% rather than pushing the gains into the 20% threshold for CGT purposes.

He can also offset his annual exempt amount against the distribution for the 4 years whereas he will only get one AEA where a distribution is in a one-off format.

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

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

Answer-to-Question-_4_

2023/24

	NSI	SAV	DIV
Dividends			10,000
Interest - ISA		-	
Rents Received	15,000		
Total Income	15,000		10,000
Less: Admin expenses	-		
Taxable Income	15,000	-	10,000
Tax			
15,000 @ 20%	3,000		
		-	
10,000 @ 8.75%			875
Total Tax Due	3,875		
Add: Payment on Account	1,938		
Tax Due by 31.01.25	5,813		
Distributable Income	12,000		9,125
Deemed Distribution	(12,000)		(8,000)

Notes

Admin expenses incurred for managing the estate are not allowable and they are only available where they relate directly to managing the income of the trust.

ISA income is exempt.

A payment on account is due as the tax is derived from untaxed income at source. These should be considered year on year in respect of reducing these.

The watch with a probate value passed to Helen during the year and this is a deemed distribution as this is deemed to be an income distribution reducing the pool of income.

Helen is treated as receiving = £20,000 no Form R185 needed.

Tabitha has not received any income during the year and no R185 is needed.

2024/25

	NSI	SAV	DIV
Dividends			200
Interest - ISA		-	
Rents	100		
Total Income	100	-	200
Tax			
100 @ 20%	20		
		-	
200 @ 8.75%			18
Total Tax Due BY 31.01.26	38		
Less: Payment on Account	(1,938)		
Repayment Due	(1,900)		
Distributable Income + CF Income	80	-	1,143

During the year - 6 April 2024 - 5 April 2025 no amounts were received by Helen or Tabitha and therefore no form R185's are needed.

The ISA Interest remains exempt.

2025/26

	NSI	SAV	DIV
Dividends			14,000
Interest		-	
Rents	10,000		
Total Income	10,000	-	14,000
Tax			
10,000 @ 20%	2,000		
14,000 @ 8.75%			1,225
Tax Due	3,225		
OffSET Repayment	(1,900)		
Tax Due	1,325		
Distributable Income + c/f	8,080		13,918
50% to Tabitha	4,040		6,959
50% to Helen	4,040		6,959

A claim should be made to reduce the payments on account to nil and the repayment should be retained to offset the income tax liability as there is income is the following year.

The ISA interest has now been appointed out and no tax is due.

The dividend was received prior to administration is part of the estate and is taxable there as this is on a receipts basis.

The rental income recevied was received before the administration period.

The administration period has ended and therefore all the income must be paid out to the beneficiaries and the income will be certified on a From R185 as follows:

Abigail	Net	Tax	
NSI	4,040	1,010	
DIV	6,959	667	

Helen	Net	Tax	
NSI	4,040	1,010	
DIV	6,959	667	

In addition no notice to file a tax return had been issued to the trustees, the trustees are in receipt of rental income and dividend income and therefore should have notified HMRC that they need to file a tax return by the 5th October 2023 failure to do this can result in penalties and interest.

In addition, the outstanding tax liabiliies will incur penalties and interest, for the years outside the scope a voluntary disclousre should be submitted in respect of the estate income.

Penalties and interest will be reduced where this disclosure is unpromopted, the responsibility falls to the executors of the estate to ensure that the tax is paid and that the position is fully to up to date.

A self-assessment tax return should be completed for the 2025/26 tax year and an amendment submitted for the 2024/25 tax year as this is in scope, but a disclosure will be

needed for 2023/24.

Part 2

When Simone died in her will she left the residue of her estate to her wife Abigail and her sister 50/50.

This means that part of her residue is chargeable being the 50% left to Helen and the remaining 50% is covered by the spousal exemption to Abigail.

On 3 March Helen made a deed of variation, this is allowed as she died on 30 April 2025 so this is within the 2 year window, the deed of variation must also be signed and written up.

Ordinarily, this is a transfer of value from Helen, however, the s.142 statement means that a transfer of value is ignored for IHT purposes as this is deemed to have been from the will.

Helen has varied her will such that 50% of her share goes to Abigail on a life interest trust, this means that Abigail her wife can have the absolute right to the assets, this means that as the will is effecivtly re-written and this now passes to Abigail this will be covered by the spouse exemption meaning a refund can be obtained.

In addition, this trust will be qualifying in possession trust as this trust was created on death as an immediate post death interest, the QIIP will mean that the assets sit in Abigail's death estate for IHT purposes.

The trust that was created for Simone's daughter Jennifer will be considered an 18-25 trust, this is because there is a deceased parent and Jennifer has the right to the capital of the trust at age 25. This trust will be under the relevant property regime but will not be susceptible to principal charges, exit charges will apply but only where capital is distributed after the 18th birthday with the quarters being adjusted accordingly.

The trusts will be consdired to have been setup on the same day and will be related settlements for IHT purposes and this will also effect the annual exempt amount.

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

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

Answer-to-Question-_5_

14 December 2011

Lifetime

During lifetime she made a gift of £100,000 to a trust, this is a chargeable lifetime transfer for IHT purposes, this should be reported on a form IHT100 6 months from the end of the month in which the gift occurs, 30 June 2012.

The transfer is covered by the NRB of £94,000 this is because an annual exempt amount for the current year can be offset in addition the annual exempt amount from the prior year can be offset to reduce the CLT to £94,000.

On death

The transfer was made in 2011 and 7 years has now passed since the date of the gift and the death of Magdalena this means that the gift it outside the scope of IHT and no IHT will be charged on this transfer of value.

14 October 2018

Lifetime

This transfer to a trust during lifetime will be considered a chargeable lifetime transfer for IHT purposes.

The factory is used by her personal trading company and this means that the value of the transfer can be reduced by BPR at a rate of 50%, this means that £175,000 will be chargeable during lifetime again with two annual exemption offsetting the CLT with a CLT arising of £169,000.

This transfer will be covered by the NRB and no IHT will be payable.

On Death

During lifetime the transfer attracted BPR at a rate of 50% to reduce the transfer of value into the trust.

Where BPR is claimed during lifetime the relief can be available again on death provided that the the donee has retained the asset, or the donee has sold the asset and invested all of the proceeds.

Here the asset has been retained and BPR is avaialble at 50% on death.

The gift was made on 14 October 2018 which is in the 7 year scope of IHT, this means that IHT will be due on the CLT made into the trust, as there is more than 6 years that has passed from the date of the gift to the date of death taper relief will be available to reduce the IHT due by 80%.

The IHT due is borne by the trustees of the Titley Factory Settlement and should be paid by 31 December 2025.

11 November 2020

Lifetime

During lifetime Magdalena made a transfer to a disabled persons trust, for IHT purposes this a PET and this means that during lifetime no IHT will be due.

Tax will only be due should Magdalena die within 7 years of the gift.

On death

Magdalena settled property into a disabled persons trust for her daughter which is a PET for IHT purposes.

As Magdalena died in June 2025 this means that this gift will be chargeable to IHT on death as it is within 7 years from the date of the gift.

Where there is a gift of farmland the relief of APR may be available, this is available where the donor has owned the land for 2 years and where the land is used for agricultural purposes.

Where both APR and BPR apply on death, APR takes priority.

Where a gift of agriculturual property has been tenanted the ownership condition is increased to 7 years.

Here Magdalena has owned the asset for more than 10 years so the ownership condition is satisfied, the question that we must ask is the land used for agirucltural purposes. Here it is used for riding stables and this is not considered to be agrucultural purposes such that

no APR will be available on death.

However, this is an asset that was used in Magdalena's farming business and this has been gifted whilst meeting the ownership conditon, therefore we can apply 50% BPR to the market value of the transfer at death.

This means that 50% is chargeable to IHT with annual exemptions being offset and taper relief of 4-5 years will apply reducing the IHT payable of 40%.

IHT Due 31 December 2025 borne by the trustees.

10 May 2022

Lifetime

During lifetime she made a transfer of value to a discretionary trust which is a chargeable lifetime transfer for IHT purposes.

The shares were in a quoted company that she controlled which means that we can attract a rate of 50% BPR.

In respect of the value transferred figure we must look at the loss to donor principle as this is a majority shareholding it can be distorted by gifting certain percentages. We therefore use the loss to donor principle which here is £1million as this is what her estate was reduced by for IHT purposes.

We can then apply BPR at 50% to reduce the transfer of value, we can use our annual exemptions to reduce the CLT and then the NRB has been fully used up.

The figure left will be the figure that is charged to IHT, now ordinarily this is taxed at 20% for lifetime transfers, but where the donor pays the IHT due we must gross up the rate to 20/80 which is 25% to reflect the loss to donor principle.

Finally, we must add the IHT paid with the CLT to calculate the gross chargeable lifetime transfer for IHT purposes.

On Death

On the transfer into trust the gift attracted a 50% BPR reduction as the shares were quoted and the donor had control of the company.

BPR can still be obtained on death provided the trustees have retained the asset or they have sold the asset and reinvested all the proceeds.

Which seems to be the case, however, in May 2025 they signed an unconditional contract to sell the shares on 15 May 2025 which is before Magdalena's death, this will constitute as a binding contract for sale such that the BPR on death will be denied as they have a purchaser ready to buy those shares.

Therefore, on death BPR will be withdrawn and we take the Gross chargeable transfer for IHT purposes and add back the BPR that was withdrawn we then tax that gift at 40% IHT.

Then we can claim a reduction for taper relief which will reduce the IHT payable by 20% as this is between 3-4 years and then any lifetime tax that was paid can be deducted such that the remaining balance is chargeable to IHT and should be borne by the trustees by 31 December 2025.

19 June 2023

Lifetime transfers

This transfer is a CLT for IHT purposes as the transfer is to a trust, which means that an IHT100 should be submitted and tax paid during lifetime.

The gift was of unquoted shares to a trust and the shares were on a trading company which means that during lifetime BPR can be claimed of 100% which will reduce the transfer of value to nil.

This means no IHT is payable during lifetime.

On death

We must re-assess the position for BPR on death to see if the shares still qualify for BPR at a rate of 100%.

The shares gifted were on a trading company and an unquoted company at the date of the gift, this means BPR was available at 100%.

However, the nature of the business changed such that the company ceased being a trading company and became involved with the letting of property which for BPR purposes is not a trading activity.

Ordinarily, BPR will be denied on death and the BPR will be added back and chagred at 100%, however, there is an exception where the donor of the gift has gifted shares in what was a trading unquouted company such that where the business changes nature the shares will still deemed to get 100% BPR.

The fact that the company changed nature of business is irrelevant here and the shares were still retained on Magadlena's death meeting the ownership condition.

No IHT will be due in respect of this transfer.

21 June 2025

Here she left £1 million to a trust for her grandchildren, this is a chargeable lifetime transfer for IHT purposes and will be taxed at 40%.

Part 2

19 jUNE 2023 - 1 December 2025	£		
Value of relevant property	700,000		
Value of additions	1,000,000		
	1,700,000		
Less: NRB	(-)		
	1,700,000		
Notional IHT @ 20%	340,000		
ER: 275,000/1,700,000	20%		
AR: 20%X30%X9/40			
AR: 20%X30X(9-8/40)	0.15%		
Gross-up: 0.15/(100-0.15)	0.15002%		
Exit Charge: 100,000 x 0.015002%	15		

N = 9 - Quarters from 19 June 2023 which is creation to exit in Dec 25.

X = 8 - Quarters from when trust started to date shares become relevant property

Rate must be grossed up as the trustees are paying the tax due.

IHT100 is due and the tax should be paid by 30 June 2026.

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

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

Answer-to-Question-_6_

Mandeep Singh was born in Canada with a Candian domicile, he came to the UK in May 2000 and has been here since.

Under the long term residence rules Mandeep will have become UK deemed domicile for IHT purposes such that for UK IHT he is considered to be UK Domicile and UK resident.

This means that for IHT purposes he is chargeable to UK IHT on his worldwide assets.

In April 2013 there was a reform to the legislation that meant where a loan was taken out after April 2013 and it was used to purchase APR/BPR or excluded property the value of the loan will be reduced against the asset before the deduction of APR/BPR such that no benefit has been obtained.

1) He borrowed £250k from a bank to purchase AIM shares before April 2013.

As this loan was taken out before 6 April 2013 it means that the loan can be used to fund any asset and the position is that the loan will be deductible agaisnt the asset in which it is secured, essentially, you can take out a loan secured against your UK assets to purchase excluded property and reduce your estate.

The value of the shares here are irrelevant, the loan will be deducted against the value of the main residence at death so this will reduce the chargeable value of the asset to £750,000 for IHT purposes.

2) Here he borrowed £100k to purchase a shareholding in an unquouted trading company, this means that the assets on death will atrract BPR of 100% for the shares.

The bank loan was secured against his property letting portfolio, however, the loan will be reduced on the value of the shares before the BPR and not agaisnt the letting portfolio.

The bank loan will be allowable but will be offset against the value of the BPR shares in accordance with FA 2013 as he retained the obligation to repay the bank loan and this was not gifted.

3) The loan of £150,000 was used to purchase excluded property, under the new rules this would not be allowable as this loan has been used to purchase excluded property.

However, prior the to introduction of the changes in FA 2013 the loan will have been reduced against the stock market portfolio and the loan will be allowable in full in his death estate as the loan was taken out prior to the changes.

Part 2

Mandeep signh a non-UK domiciled resident at this point and he made a gift of property to a non-resident trust, this will have been excluded property for IHT.

The trust was not settlor interested for CGT as his family could not benefit from the trust therefore the trust will be taxed under s.87 on the UK beneficiaries of the trust once a payment is received it shall be taxed.

Where a benefit is received it will be matched to relevant gains in the pool and if there is no income in the pool it will be carried forward till it can be taxed and if there is excess income that will be carried forward, the benefit will be matched with relevant income and that is the taxable benefit for CGT purposes.

The non-resident trustees disposed of the property that had been used as Sharan's main residence who is one of the trustees, which means that PRR is available on the disposal of the property for the portion that Sharan occupied the property and the last 9 months for deemed occupation.

This will redue the CGT payable on the property.

Ordinarily, a non-resident trust is not chargeable to UK CGT, however, under legislation introduced in April 2015 it meant that non-residents were chargeable to UK CGT on UK residential property.

The default method will take the value as at 6 April 2015 and deduct the base cost, the retrospective method will take the original proceeds and original cost into consideration.

With the final method being the straight line time apportionemnt method which will only tax the element post 2015.

Here as the property has been held since 2006 a straight line apportiontment method may be ideal to exempt the gain from 2006-2015 and in addition PRR can reduce the gain in the post 2015 period.

UK residential property is taxed at 24% for the trustees and they should submit a 60-day NRCG return, 60-days from the date of completiion on the property. If they do not penalties and interest can occur.