

## APPLICATION AND PROFESSIONAL SKILLS – INHERITANCE TAX, TRUSTS & ESTATES ASSESSMENT NARRATIVE

### Structure

A simple pass or fail will be awarded.

### Identification and Application

The following are the relevant topics for assessment with their weightings:

1	15%	Identify and calculate the capital loss on the disposal of the shares in Honey Group plc and recognise it is an estate loss. Identify and calculate the IHT loss relief and refund available.
2	20%	Identify and calculate the capital gain and PPR relief due on the sale of Lavender Cottage by the trustees and the additional funds to be transferred to Jessica from the cash account. Calculate the IHT exit charge on the £90,000
3	15%	Identify and calculate the CGT for the trustees on appointment of Lavender Cottage to Jessica and Jessica's personal CGT on the sale of the property. Recognise no IHT exit charge and no holdover relief is available if appointment is made before 15 June 2024
4	10%	Calculation of the additional funds the trustees need to appoint to Jessica in October 2024 and calculate the IHT exit charge arising.
5	20%	Recognise a Deed of Variation is not available and identify the differing IHT exit charge positions on an appointment of shares in Floral Scents Ltd to Charlotte before and after 15 June 2024. Analysis of the company's trading and investment activities for IHT BPR purposes.
6	20%	Identify and calculate the CGT liability arising on the appointment of shares in Floral Scent Ltd to Charlotte. Recognising when holdover relief is available and analysis of whether the company's investment activities are substantial for CGT purposes.

A grade of 0,1,2,3, or 4 is awarded to each topic. The weighting is applied to that grade to produce a weighted average grade. This is then converted to a final absolute grade by rounding up or down to the nearest grade. Scores in the range 2.5 to 3.49 will be a grade 3.

### Relevant Advice and Substantiated Recommendations

The following are the topics for assessment with their weightings:

1	10%	Recommendations to the executors on the availability of IHT loss relief instead of claiming an estate capital loss.
2	35%	Advice and recommendations on the sale or transfer of Lavender Cottage by the trustees or the transfer of Lavender Cottage to Jessica and onward sale by her to the third party purchaser.
3	20%	Advice to the trustees on the availability of IHT business property relief on the shares in Floral Scents Ltd
4	35%	Advice to the trustees on the availability of CGT holdover relief on the shares in Floral Scents Ltd and recommendation on the timing of the transfer to Charlotte in view of the IHT and CGT considerations.

The final grade will be determined for this skill in the same way as for Identification and Application