

**The Chartered Institute of Taxation**

**Awareness**

**Module B: Inheritance Tax, Trusts & Estates**

**May 2025**

**Suggested answers**

### Answer 13

The unrelated value of Victoria's 60% holding	<u>£500,000</u>	1
The related value of Victoria's holding The value of Victoria and Albert's joint 80% holding is £780,000, so £780,000 x 6,000/(6,000 + 2,000)	<u>£585,000</u>	1+1
	£	
Take the <u>higher</u> , so	585,000	1
Less Business Property Relief (85% x £585,000)	<u>(497,250)</u>	
PET	<u>£87,750</u>	1

### Answer 14

1)	£	
Transfer value	450,000	
Annual Exemption x 2	<u>(6,000)</u>	
	444,000	1
Nil rate band: £(325,000 – 275,000)	<u>(50,000)</u>	1
	<u>£394,000</u>	
IHT @ 20/80	<u>£98,500</u>	1
Due date for payment: 30 September 2025.		1
2) Due date for submission of IHT100: 31 March 2026.		1

### Answer 15

The Residence Nil Rate Band (RNRB) at the date of Seth's death was £100,000, of which £55,000 was used, leaving £45,000 unused.		1
The RNRB at the date of Richard's death was £150,000, of which £60,000 was used, leaving £90,000 unused.		1
At the date of Matilda's death in 2024/25 the Executors can claim the unused proportion <u>of both Seth and Richard's RNRB</u> to use on Matilda's death estate.		1
Matilda's RNRB is therefore:	£	
2024/25	175,000	
Plus unused allowance from Seth: £45,000/£100,000 x £175,000	78,750	
Plus unused allowance from Richard: £90,000/£150,000 x £175,000	105,000	
	<u>£358,750</u>	1
However, Matilda's maximum RNRB = 2 x £175,000	<u>£350,000</u>	1

### Answer 16

1) PET	£	
Less nil rate band: £(325,000 – 152,250)	194,000	
	(172,750)	
	<u>£21,250</u>	1
IHT @ 40%	8,500	1
Less taper relief (5 – 6 years) = 60%	(5,100)	
IHT due	<u>£3,400</u>	1
2) The Inheritance Tax is payable by Catherine by 31 August 2025.		1+1

### Answer 17

- |  |   |   |
|--|---|---|
| 1) As William was UK domiciled but Margrethe is not, the maximum spouse exemption available on William's death is £325,000.  | 1 | 1 |
| 2) Margrethe could make an irrevocable election to be treated as domiciled in the UK for IHT purposes only. This would lift the £325,000 cap on the spouse exemption and William's entire estate would pass to Margrethe tax-free. | 1 | 1 |
| However, as Margrethe would then be treated as UK domiciled for IHT purposes, her worldwide assets would be liable to IHT  | 1 |   |
| 3) If Margrethe returned to Denmark on 5 April 2026, and was not UK resident for four consecutive tax years (i.e. 2026/27 to 2029/30), the election would lapse and she would not be treated as UK domiciled from 6 April 2030.    | 1 |   |

### Answer 18

Gross CLT	£	
APR withdrawn	493,750	
	500,000	
	<u>993,750</u>	1
NRB at death	(325,000)	
	<u>£668,750</u>	1
IHT @ 40%	267,500	1
Less taper relief @ 80% (6 – 7 years)	(214,000)	
	<u>53,500</u>	1
Less lifetime IHT paid	(33,750)	
IHT payable	<u>£19,750</u>	1

### Answer 19

IHT payable on Diana's death estate:	£	
40% x £(895,000 – 325,000)	228,000	1
Less QSR: £46,000 x £(240,000 – 46,000)/240,000 x 80%	(29,747)	1+1+1+1
	<u>£198,253</u>	

### Answer 20

		£	
Gross Chargeable Estate		1,520,000	
Less RNRB ( <i>working</i> )		(115,000)	
Less available NRB: £(325,000 – 260,000)		(65,000)	1
		<u>£1,340,000</u>	
IHT @ 36%		<u>£482,400</u>	1
<i>Working – RNRB</i>	£	£	
2024/25		175,000	1
Less restriction:			
Amount before deduction of charitable legacy	2,020,000		
Add back BPR	<u>100,000</u>		
Assets less liabilities	<u>£2,120,000</u>		1
Restriction: $\frac{1}{2} \times £(2,120,000 - 2,000,000)$		(60,000)	1
Adjusted allowance		<u>£115,000</u>	

### Answer 21

1)

Partnership share - where the business is carried on, therefore Greece. 1

Land and buildings – where physically located, therefore UK. 1

Shares – where the register of shareholders is kept, therefore USA. 1

2)

If Giorgios dies during 2025/26, he will have been resident in the UK for at least 15 from the previous 20 tax years (2009/10 – 2024/25) and will therefore be deemed UK domiciled for Inheritance Tax purposes. 1

His worldwide assets will be chargeable to UK Inheritance tax. 1

## Answer 22

1)	£	
Dividends received	250,000	
Less trustee expenses met from income: £5,475 x 100/91.25*	(6,000)	
	<u>£244,000</u>	1
Income Tax:		
£244,000 x 39.35%	96,014	
£6,000 x 8.75%	525	
Income Tax payable by the trustees	<u>£96,539</u>	1
2)		
Tax pool:		
Balance brought forward at 6 April 2024	500	
Plus Income Tax paid by trustees		
(excluding Income Tax on the amount covered by expenses)	96,014	
	<u>96,514</u>	1
Less distributions to beneficiaries: £33,000 x 45/55*	(27,000)	1+1*
Tax pool carried forward at 5 April 2025	<u>£69,514</u>	

\* For the correct grossing up of both trustee expenses and the distribution to the beneficiaries.

## Answer 23

	£	
Gross proceeds of sale	950,000	
Less costs of sale	(12,500)	
	<u>937,500</u>	1
Less cost: £1.3 million x £950,000/£950,000 + £600,000	(796,774)	1+1
Chargeable gain	140,726	
Less annual exempt amount	(1,500)	1
Taxable gain	<u>£139,226</u>	
Capital Gains Tax at 20%	<u>£27,845</u>	1

## Answer 24

The gift of the house by Ishaq was a PET, but will be treated as a <u>'gift with reservation of benefit'</u> as Ishaq continued to live in the house rent-free.	1
As such, on Ishaq's death the PET will be ignored and the house will be included in his death estate at the value at the date of death, and will be subject to IHT at 40% after consideration of the <u>residence nil rate band</u> and the nil rate band.	1
However, as Ishaq died within seven years of the PET, a second computation will be required, <u>taking into account the PET</u> and ignoring the house in Ishaq's death estate.	1
HMRC will apply whichever of the two computations results in the <u>higher</u> overall IHT charge.	1