

CIOT - ATT-CTA

Paper: **CTA Awareness**

Part/Module: **Module B**

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-----ANSWER-13-BELOW-----  
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Answer-to-Question-\_13\_

	£	£
Cash gift to discretionary trust		500,000
Less: Nil band	325,000	
Less: Used by PET to son	(180,000)	
Remaining band		(145,000)
Taxable		355,000
Inheritance tax due @ 40%		142,000
Less: Tax paid on gift to trust		(100,000)
Inheritance tax due		42,000

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-----ANSWER-13-ABOVE-----  
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-----ANSWER-14-BELOW-----  
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Answer-to-Question-\_14\_

	£
Death estate	1,200,000
Legacy to Pablo (Non-UK domiciled)	(325,000)
Residential Nil band	(175,000)
Nil band	<u>(325,000)</u>
	375,000
Inheritance tax due @ 40%	150,000

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-----ANSWER-14-ABOVE-----  
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-----ANSWER-15-BELOW-----  
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Answer-to-Question-\_15\_

1) Sophia's gift to Valentia on 1 March 2017 would have been covered by the Nil band of £325,000. And hence the inheritance tax due on gift to daughter in March 2017 would have been Nil.

2) Sophia is born in and had a domicile of origin in Italy. However, she has been resident in the UK since 1 April 2004. Thus she will be considered as deemed domiciled on the date of date under 15/20 rule. And hence all of the assets owned by Sophia in the UK and in Italy will be subject to Inheritance Tax @ 40% on her death in UK.

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-----ANSWER-15-ABOVE-----  
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-----ANSWER-16-BELOW-----  
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Answer-to-Question-\_16\_

Value of Death estate

	£
Humpty unit trust (2.06*25,000)	51,500
Cash and personal chattels	528,000
Less: Nil band	<u>(325,000)</u>
Total	254,500

Inheritance tax due @40%	101,800
Less: Quick succession relief	
(88,650/550,000)*80%*18,000	<u>(2,321)</u>
IHT due	99,479

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-----ANSWER-16-ABOVE-----  
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-----ANSWER-17-BELOW-----  
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Answer-to-Question-\_17\_

Business property relief (BPR) is available on shares in a quoted trading company if the donor has voting control of the company. To have voting control, the donor must have more than 50% of the ordinary shares. 'Related property' is taken into account in determining 'control'.

Further BPR is also available on land or buildings or plant and machinery owned by an individual and used either by a partnership of which he is a member or a company he controls.

BPR is available @ 50% in both the above cases.

Hence, Joe's holding in Gallis plc would qualify for BPR. And office building used by Gallis plc which is in the ownership of Joe would qualify for BPR.

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-----ANSWER-17-ABOVE-----  
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-----ANSWER-18-BELOW-----  
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Answer-to-Question-\_18\_

Charles' transfer of the farm into the discretionary trust would qualify for 50% Agricultural Property relief (APR).

Since the farm is tenanted and let on a pre 1.1.1995 lease. Further, the lease has more than two years to run at the date of transfer.

Though Charles' has not held the land for 7 years (Seven years for tenanted land), he would qualify for APR because the transfer made to him was on the death of George.

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-----ANSWER-18-ABOVE-----  
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-----ANSWER-19-BELOW-----  
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Answer-to-Question-\_19\_

1) (loss)/gain	Cost £	Gross proceeds £
£		
Sale of Bucket plc shares (6,500)	12,000	5,500
Sale of Spade unit trust 1,200	7,000	8,200
Total (5,300)		13,700

Since the executors purchased another 3500 shares in Sand plc for 8,500, the loss will be restricted.

$$\begin{aligned}\text{Loss restricted} &= \text{Loss} * (\text{Amount invested} / \text{Total Gross sales proceeds}) \\ &= 5,300 * 8,500/13,700 \\ &= 3,288\end{aligned}$$

Therefore the reduction in the value of Ethel's death estate is £2,012 (5,300-3,288)

2) The earliest date on which the relief can be claimed is 12 months after the date of death.

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-----ANSWER-19-ABOVE-----  
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-----ANSWER-20-BELOW-----  
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Answer-to-Question-\_20\_

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-----ANSWER-20-ABOVE-----  
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-----ANSWER-21-BELOW-----  
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Answer-to-Question- \_21\_

	£
Initial value of trust	866,200
Less: Nil band at exit	(325,000)
	541,200
IHT @ 20%	108,240
Effective rate: $108240/866200 * 100$	12.5%
Actual rate: $12.5%*30%*20/40$	1.875%
Exit charge: $150,000*1.875%$	2,813

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-----ANSWER-21-ABOVE-----  
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-----ANSWER-22-BELOW-----  
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Answer-to-Question-\_22\_

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-----ANSWER-22-ABOVE-----  
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-----ANSWER-23-BELOW-----  
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Answer-to-Question-\_23\_

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-----ANSWER-23-ABOVE-----  
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-----ANSWER-24-BELOW-----  
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Answer-to-Question-\_24\_

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