Module B
Inheritance Tax, Trusts & Estates

1. On 20 February 2009, Ernest (who had made no lifetime transfers) died leaving an estate valued at £650,000 of which £150,000 was left to his daughter Amelia and the remainder to his wife Emily.

   On 1 November 2017, Emily died leaving a chargeable estate valued at £950,000 to Amelia. During Emily's lifetime, she had made cash gifts of £3,000 out of capital to her grandson on 6 April every year and on 14 February 2014 she had gifted £380,000 cash into a discretionary trust on which she paid the tax due of £13,750.

   Neither Ernest's nor Emily's estate included residential property.

   Calculate the Inheritance Tax payable on Emily's death, assuming all beneficial elections are made.

2. During 2017/18, Betty (who had made no previous lifetime transfers) made the following transactions:

30 April 2017	Sold a painting for £40 to her neighbour. It was subsequently discovered that the painting was actually worth £150,000.
20 July 2017	Sold a necklace to her cousin for £300 when she knew that it was actually worth £10,000.

   Briefly explain the Inheritance Tax implications of Betty's transactions.

3. In May 2000, Alice acquired 3,000 ordinary shares (a 30% holding) in Belongro Ltd, an unquoted investment company. At the same time, her husband Arthur acquired 5,000 ordinary shares in the same company.

   In August 2015, Arthur gifted 1,000 of his Belongro Ltd shares to a charity. The charity disposed of the shares in January 2017.

   In December 2017, Alice gifted 2,000 of her Belongro Ltd shares to her daughter Victoria.

   The values of the shares in December 2017 were as follows:

	Per share £
80% holding	130
70% holding	115
60% holding	75
50% holding	60
40% holding	45
30% holding	30
20% holding	12
10% holding	8

   Calculate the Inheritance Tax valuation of the gift of shares to Victoria in December 2017.

4. On 4 October 2017, James (who was domiciled in the UK) died, leaving his entire estate to his wife, Dolores. His only previous lifetime gift was £500,000 cash to Dolores on the occasion of their marriage in 2004.

   Dolores is domiciled in Brazil but moved to the UK when she married James. Her intention is to return to Brazil within the next few years.

   You are required to briefly explain:

   1) **The Inheritance Tax implications of both James's lifetime gift to Dolores and the inheritance received by her.**

   2) **Any options available to Dolores with regard to her Inheritance Tax position and the implications thereof.**

5. George, who was domiciled in the UK and had never married, died on 12 March 2018. He left the following assets to his brother:

	£
House in Cheshire	600,000
Apartment in Spain	185,000
Personal chattels	17,000
5,000 units in the Sunlight unit trust, quoted at 200 – 216p	

   The house in Cheshire had an outstanding mortgage of £150,000.

   On George's death, Spanish administration expenses of £10,000 were incurred in respect of the apartment in Spain.

   George had made no lifetime gifts.

   Calculate the Inheritance Tax payable on George's death.

6. Joaquin is domiciled in Spain, but has lived in the UK for 10 years. He owns the following assets:

	£
Shares in Zubalei GmbH, a company resident in France but whose Register of Shares is kept in Germany	25,000
Cash in the London branch of a Spanish bank	50,000
A holiday cottage in Cornwall	250,000
A debt owed by his cousin Juan who is resident in Spain. Juan used the money to purchase shares in Bubaloo plc, a company listed on the London Stock Exchange.	35,000

   You are required to briefly explain:

   1) **Where each of the four assets are located for the purposes of UK Inheritance Tax.**

   2) **Why this is important to Joaquin.**

7. Harry had made only one lifetime gift, a gross chargeable transfer of £250,000 to a discretionary trust in November 2015. Harry died on 25 February 2018, leaving an estate valued at £875,000 of which £300,000 was left to his wife.

Harry's will left a bequest to charity on his death; the amount of the bequest was not stated but Harry stipulated that he wished to leave an amount sufficient so as to qualify for the reduced rate of Inheritance Tax to apply to his chargeable estate. The residue of the estate was left to his nephew.

You are required to calculate:

1) The minimum amount that must be left to charity in order for Harry's estate to qualify for the reduced rate of Inheritance Tax.

2) The Inheritance Tax payable on Harry's chargeable estate if the minimum charitable legacy is made.

8. Charlie owned a vintage motor car worth £250,000 which he drove every Sunday. On 17 September 2017, he gave the car to his son, Will. As a condition of the gift, Will was obliged to allow his father to drive it as usual every Sunday.

Briefly explain the Inheritance Tax implications of the gift of the motor car.

9. Joe died on 15 July 2017 leaving a chargeable estate of £1.2 million which included quoted shares in Zoggy plc, valued at £165,000, and an antique vase.

The antique vase was one of a set of two, the other of which was owned by his wife. The unrelated value of Joe's vase was £42,000 and the related value was £50,000.

Joe had made no lifetime gifts.

During January 2018, the executors sold the Zoggy plc shares for £150,000 and the vase for £35,000 to unconnected third parties.

Briefly explain the reliefs available to the executors and calculate the reduction in the Inheritance Tax liability if these claims are made.

10. The Goldie Trust (an interest in possession trust) had the following income and expenses for 2017/18:

	£
Property income receivable	40,000
Interest receivable	30,000
Expenses relating to property income	(6,000)
Trustee expenses met from income	(1,000)

Stephanie was the sole life tenant of the trust.

You are required to calculate:

1) The income available for distribution in 2017/18.

2) The amounts taxable on Stephanie in 2017/18.

11. On 18 March 2008, William created the Buckley Trust (a discretionary trust) and transferred to it assets valued at £350,000. His only previous lifetime gift had been a gross chargeable transfer of £75,000 in September 2003.

    On 14 March 2015, the trustees made a gross capital distribution of £100,000 to one of the beneficiaries.

    The value of the Buckley Trust property on 18 March 2018 was £280,000.

    Calculate the principal charge arising on 18 March 2018.

12. On 20 February 1988, Edward bought a 10 acre plot of investment land for £62,000 incurring legal and professional fees of £2,000.

    On 18 May 2005, he sold two acres for £32,000, incurring legal and professional fees of £3,500 on the disposal. The remaining eight acres were then valued at £136,000.

    On 17 January 2018 he transferred the remaining land to a discretionary trust when its market value was £196,000.

    Calculate the taxable gain arising on Edward in 2017/18 and the base cost of the land for the trustees, assuming all available reliefs are claimed.