

# **The Chartered Tax Adviser Examination**

May 2021

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## **Application and Professional Skills**

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### **Inheritance Tax, Trusts & Estates**

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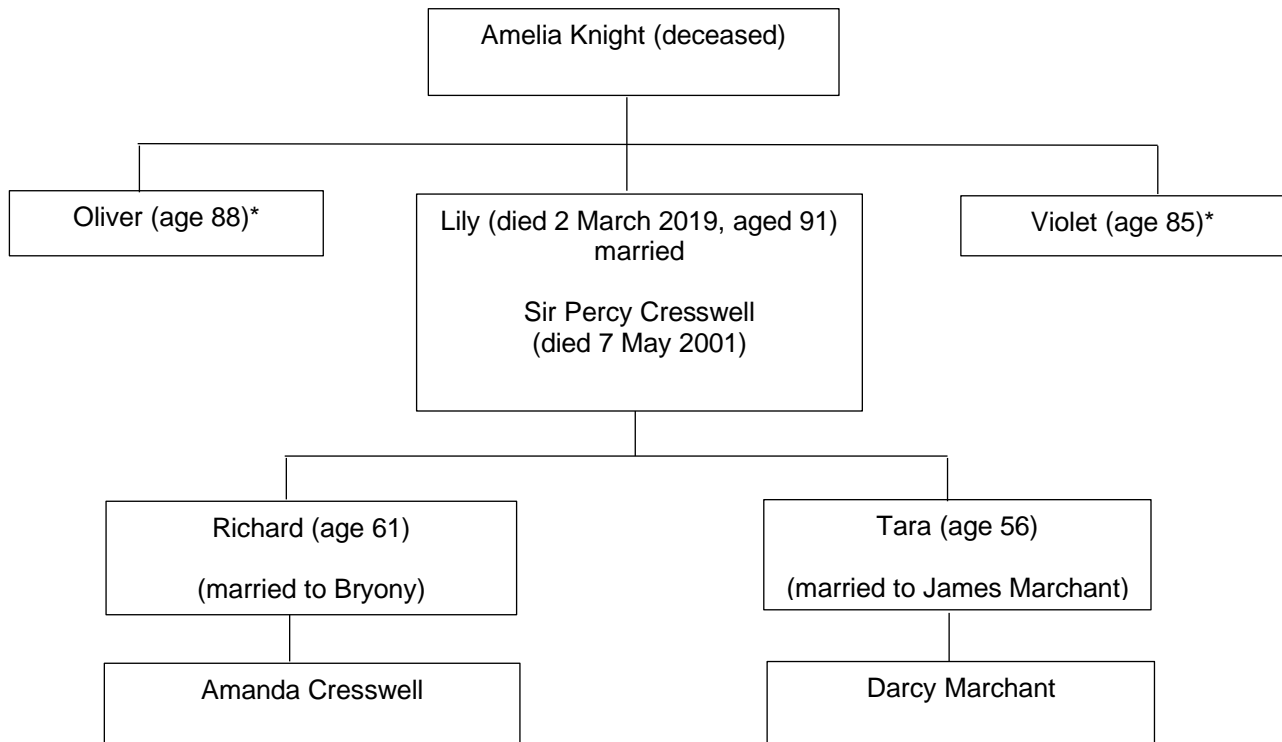
Pre-seen information

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**You may print this copy of the pre-seen information for your exam, however it will be contained in the final Exhibit in each question.**

## Pre-seen information

### Family Tree



\* both Oliver and Violet are married with children and grandchildren of their own who are not shown on the family tree.

## Permanent File Information

### Client name

Trustees of the Cresswell Family Settlement

### Settlor

Lady Lily Cresswell (deceased)

### Trustees

Original trustees: Oliver Knight and Violet Taylor

Current trustees: Richard Cresswell and Tara Marchant

### Date of creation

12 August 2014

### Beneficiaries

Amanda Cresswell  
Darcy Marchant

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Continuation

#### Trust background information

Lady Lily Cresswell, a widow, was UK resident and domiciled in England. Her husband, Sir Percy Cresswell, left his entire estate to her on his death.

Lily created her only trust, the Cresswell Family Settlement, on 12 August 2014 for the benefit of her two grandchildren, Amanda Cresswell and Darcy Marchant. The Inheritance Tax due on creation was paid by the trustees.

The original trustees were Lily's brother, Oliver and her sister, Violet. They retired as trustees in March 2021 when it was agreed that Lily's children, Richard and Tara, should take over.

All members of the family are higher rate taxpayers, resident in the UK and domiciled in England.

#### Assets settled on trust (no changes since creation)

300 ordinary shares in Cresswell Garden Centres Ltd.

Wilton House, Oxfordshire (a large residential five bedroom property, currently let).

Bramble Cottage, Oxfordshire (a two bedroom residential property in a poor state of repair, habitable but currently unoccupied).

10 acre paddock, Oxfordshire (the land is currently let to a local arable farmer who uses it for growing additional crops).

Cash held in a non-interest bearing current account.

#### Information relating to Cresswell Garden Centres Ltd

Lily and Percy were keen gardeners and in 1973 they turned their hobby into a business, setting up an unquoted company, Cresswell Garden Centres Ltd.

The total issued share capital of the company is 1,000 ordinary shares. Lily was the majority shareholder, holding the remaining 700 shares in the company following the gift to the Cresswell Family Settlement, until her death.

Richard and Tara have been employed by Cresswell Garden Centres Ltd since the early 1990s, but none of the other family members shown above works in the business.

Lily did not allow Richard and Tara to have much say in running the business during her lifetime. As a result, the company's profits have declined over the past 20 years, mainly because Lily resisted their attempts to introduce new products and other retailers into the garden centres.

#### Summary of terms of trust

The income from the trust fund is to be paid to the beneficiaries in equal shares.

The trustees have the power to advance in whole or in part, as they think fit, the presumptive capital entitlement of a beneficiary by deed prior to him or her attaining the age of 30 years.

In default of an exercise of the above power, each beneficiary will become absolutely entitled to an equal share of the trust fund when they attain the age of 30 years.

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In the event that none of the beneficiaries attain the age of 30 years, the trust fund will be held absolutely for any surviving issue of Amelia Knight who have attained the age of 30 years at the end of the trust period.  
Continuation

#### Lady Lily Cresswell's estate

Lily's net estate was valued at £14.5 million. Under the terms of her Will, she left a tax-free legacy of £150,000 to each of Amanda and Darcy and the residue of her estate to Richard and Tara equally.

Other than creating the Cresswell Family Settlement, Lily's only lifetime transfers were as follows:

- 1) 6 April annually (commencing on 6 April 2005) – £1,500 to Amanda and £1,500 to Darcy which utilised her Inheritance Tax annual exemption.
- 2) 5 May 2014 – gift of Sandy Villa, a holiday home, valued at £205,000 to Richard.
- 3) 10 July 2014 – gift of Highbury House, an investment property, valued at £206,000 to Tara.

Grant of Probate was issued to the executors on 1 March 2021.

#### Engagement letter

The firm's GDPR compliant engagement letter was signed by the trustees on 20 April 2021 covering tax compliance and advisory services.