

The Chartered Tax Adviser Examination

May 2024

Application and Professional Skills

Inheritance Tax, Trusts & Estates

Pre-seen information

You may print this copy of the pre-seen information but you will not be permitted to take this into the test centre. It will be contained in the final Exhibit in each question.

Pre-seen information

Client name

Lucy Reed Will Trust

Background

Lucy Reed died on 15 June 2022. She was domiciled in England and Wales and UK resident. Lucy never married and was survived by her four daughters, Charlotte, Jessica, Chloe and Grace.

Under the terms of her Will, after the payment of any debts, funeral and testamentary expenses, her entire residuary estate was left on discretionary trust for the benefit of her children and future grandchildren.

Lucy appointed her sister, Emma Hill and her brother-in-law, Alex Hill, as her executors and trustees.

The administration of Lucy's estate was completed on 31 August 2023.

Other information

Lucy, a cosmetic chemist, was a director and shareholder of Floral Scents Ltd, an unquoted company which manufactures scented candles, perfumes and other beauty products. Lucy, Emma and Alex set up the company together in 2001. Emma is the managing director of the company and Alex is the finance director.

Lucy's eldest daughter, Charlotte, has also worked as a marketing director for the company for the past seven years, successfully developing the social media presence and online side of the business.

Lucy made no lifetime gifts in the seven years prior to her death.

Emma, Alex and Charlotte are higher rate taxpayers. Jessica, Chloe and Grace are non-taxpayers.

The trustees signed a copy of the firm's letter of engagement and privacy policy on 31 March 2024 which covers advisory and compliance services.

Extract from the Estate Accounts

Estate of Ms L Reed Deceased
Estate at date of death 15 June 2022
Capital Account

	£	£
Gross Estate		3,931,635
Less:		
Liabilities		
Harbrook & Sons – funeral account	(6,400)	
HMRC - Income Tax liability to 15 June 2022	(8,510)	
XYZ Bank – credit card bill	<u>(1,280)</u>	
		<u>(16,190)</u>
Net estate		<u>3,915,455</u>