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Answer-to-Question- _1_

Report

To: The trustees of the Ryan Family Discretionary Settlement and the Margaret Ryan Accumulation & Maintenance Trust.

From: ABC Chartered Tax Advisers PLC

Date: 8 May 2025

Subject: A report to advise on the tax implications on the winding up of the Ryan Family Discretionary Trust and on the settler's grandchildren becoming entitled to their interest in the Margaret Ryan Accumulation & Maintenance Trust.

Introduction:

This report is intended for the use of the trustees ("You") of the Ryan Family Discretionary Settlement and the Margaret Ryan Accumulation & Maintenance Trust.

This report is based on law as at 8 May 2025 and relies on the information provided to us on 7 May 2025, together with information we hold on file.

The calculations are based on valuations provided to us. Changes to the valuations and current law after this report are beyond the scope of this report.

ABC Chartered Tax Advisers PLC do not accept responsibility for use of this report by

any other party.

This report will cover the following:

- * Tax implications on the winding up of the Ryan Family Discretionary Settlement
- * Tax implications on the beneficiaries of the Margaret Ryan Accumulation & Maintenance Trust becoming entitled to their interest.

Abbreviations:

Bonds Chemist PLC -'BC PLC'

CGT - Capital Gains Tax

IHT - Inheritance Tax

BPR - Business Property Relief

APR - Agricultural Property Relief

Executive Summary:

The Ryan Family Discretionary Settlement:

This trust was settled by Edward Ryan in September 1999 with 49,500 shares in Bonds Chemists PLC ('BC PLC').

The trust is a discretionary trust and so is subject to IHT charges known as exit charges on transfer of capital and principal charges on 10-year anniversaries.

The BC PLC shares will be sold on 15 May 2025. The trustees have therefore considered distributing the net sale proceeds to Alice (to equalise prior distributions) or to transfer the shares to Alice and she sells personally.

The disposal of the BC PLC shares by the trustees would result in a capital gain and c£20k CGT payable. The net cash appointed to Alice, together with the remaining cash balance, would not be subject to an exit charge. This is because the effective IHT rate at the 10-year charge in 2019 was 0% and so exit charges arising after this adopt this effective rate.

There will also be no exit charge if the trustees appoint the shares and the cash to Alice. The IHT position is neutral. There will be a disposal for CGT by the trustees on the appointment of the shares (cash is exempt). This cannot be deferred using gift relief (as Alice is a non-UK resident beneficiary). CGT of c£11k would be payable by 31 January 2027.

Alice as a non-UK resident would not incur any UK CGT on the disposal of the BC PLC shares, both those appointed from trust and her own holding. The capital loss brought forward cannot be utilised by anyone other than Alice and against only capital gains subject to UK CGT.

We advise that the trustees should appoint the assets to Alice and pay the CGT of c£11k. Alice will then personally sell the shares and there will be no UK CGT on this sale.

The Margaret Ryan Accumulation & Maintenance Trust (A&M trust)

This trust was created as an original A&M trust and was not subject to relevant proeprty charges. The creation of the trust would have been a PET by Margaret.

With effect from 6 April 2008, the trust became a 18-25 trust as it entitled beneficiaries to capital at 25 and the class of beneficiaries was closed at this date.

This meant that future appointment of capital resulted in an exit charge for IHT. There are no principal charges on 10-year anniversaries.

Matthew and Isbaella will turn 25 on 14 August 2025 and be entitled to their 2/3 of the capital. Polly turns 25 on 18 January 2026 and will be entitled to her 1/3 of the remaining capital.

On the appointment of assets from the trust there is a capital disposal by the beneficiaries.

The principles laid down in a case Crowe Vs Appleby mean that on the appointment of land and buildings from a trust there is no capital disposal until the final contingent event (e.g. Polly obtaining 25) happens. This then restricts the amount of gift relief that can be claimed on the eventual disposal as not all is subject to IHT.

This would mean the beneficiaries have an unfair proportion of the trust's fund.

The trustees have the power to appoint capital before the age of 25, as laid down in the trust deeds.

We would advise that the trustees appoint their powers and distribute all capital to the 3

beneficiaries on 14 August 2025. This is instead of waiting for Polly to obtain 25 in January 2026.

This will ensure that each beneficiary obtains an equal amount of the trust assets after tax liabilities have been paid, of c£850k.

This compares to Polly having c£210k less if her share is appointed on her 25th due to the principles of *Crowe Vs Appleby* meaning the disposal of the land and buildings do not take place until Polly's 25th, and so restricting gift relief.

Further, we advise that the beneficiaries ensure they do not sell Buttercup field until they have owned the land for 7 years as it will qualify for 100% APR and so the gain can be deferred, avoiding an unnecessary CGT liability.

Section 1: The Ryan Family Discretionary Settlement

Section 1.1 Background of the Trust

This trust was settled by Edward Ryan on 17 September 1999 with 49,500 shares in BC PLC, which Margaret acquired at their probate value on Edward's grandfather's death.

The trust settled is a discretionary trust and so is a relevant property trust. This means it is within the relevant property regime and is subject to IHT charges known as exit charges on the appointment of capital and principal charges on 10-year anniversaries.

The trust has had two principal charges since its creation now. The amount subject to charge is reduced by the available NRB of Edward. On his death in 2006, his NRB was

reduced due to the PETs he made in April 1999.

The NRB is based on the current NRB of £325,000 at those dates and not the one available to Edward on his death.

The restricted NRB covered the values at the 2009 and 2019 charges and so the IHT rate was 0%.

Exit charges that arise after a principal charge are based on the IHT rate at the last principal charge. As this has always been 0%, there will be no exit charges on appointment of capital.

The BC PLC shares held by the trust are to be sold by 15 May 2025 as we understand you do not wish to hold shares in Sigma Global PLC.

The trustees have considered selling the BC PLC shares and appointing the net proceeds to Alice, in order to equalise distributions from the trust as Jason and Belinda have already received distributions. The transfer will also consist of the remaining cash.

The alternative is the trustees appoint the shares and cash to Alice and then Alice personally sells the shares by 15 May 2025.

We understand that Alice sold her personal holding of 25,000 shares on 8 April 2025 for £10.75 per share. Alice is currently a non-UK resident. She also have brought forward capital losses of £10,800.

Once assets are appointed to Alice the trust will be wound-up. The trustees can de-register the trust from the TRS service and also self-assessment for tax returns. We would

be able to assist with this.

We have reviewed each option in turn.

Section 1.2 Trustees sell the BC PLC shares and transfer cash to Alice

CGT:

A sale by the trustees will give rise to a capital disposal subject to Capital Gains Tax (CGT).

The trust has already appointed 33,000 shares between Belinda and Jason and so only 16,500 shares remain.

The proceeds will be £13.58 per share as proposed by Sigma Global Inc.

The trustees base cost of the shares is Edward's grandfather's cost on death, the probate value. This is because a gift relief claim was made to defer the gains when Edward settled the trust.

The capital gain that will be realised on the sale of the shares will be £103,684 (See Appendix 1).

The trustees can deduct the Annual Exempt Amount (AEA) of £1,500 and remaining gains are subject to CGT @ 20%, resulting in a liability of £20,437 (See Appendix 1).

This is payable by the trustees by 31 January 2027 as it occurred in the 2025/26 tax year.

There is no eligibility to claim gift relief as this is a sale. Further a CGT relief known as Business Asset Disposal Relief (BADR) is not available as the trust is a discretionary trust but also as no beneficiary has a personal shareholding.

On assets being transferred out of trust there is a market value disposal, but as the remaining assets are cash there is no chargeable disposal as cash is exempt.

The net cash proceeds after the CGT payment would be £203,633.

IHT:

The net cash will be transferred to Alice, together with the £320 of cash remaining.

There will be an exit charge as capital is leaving the trust. However, the rate of IHT is 0% due to the principal charge as at September 2019 also being 0%. (See appendix 2).

The total net cash received by Alice would be £203,953.

Section 1.3 Trustees appoint shares to Alice and Alice sells on 15 May 2025

IHT:

On both the appointment of the shares and remaining cash an exit charge for IHT will arise. This is again based on the IHT rate as at the 10-year charge in September 2019, being 0%.

There will be no exit charge on the appointment.

A form IHT 100 will still need to be filed detailing the transfer

CGT:

The appointment of assets by trustees to a beneficiary gives rise to a market value disposal. Cash is not a chargeable assets and so there is no capital disposal there.

The shares will be disposed of at market value by the trustees. The base cost being the probate value on Edward's grandfather's death. The gain will be £56,989, before available AEA (See Appendix 3).

The CGT due on this gain will be £11,098 (See Appendix 3).

Where assets are appointed to a beneficiary there is usually eligibility for gift relief, where gains are deferred. This election cannot be made as Alice is a non-UK resident.

Therefore, the gain will be chargeable to the trustees and payable by 31 January 2027.

Alice will receive the shares at their market value. After deducting of the CGT liability and including the cash available this will leave £166,597 appointed to Alice.

Alice will then dispose of the shares on 15 May 2025. Alice is a non-UK resident and so is not subject to UK CGT.

She is only subject to UK CGT on disposal of UK land and buildings and shares in companies that derive 75% of assets in UK land and buildings. This is not the case for

BC PLC shares.

Alice's CGT liability will be £nil. This is also the case for the personal shares Alice has already sold.

The loss Alice realised on disposing of UK residential property is not able to be utilised by the trustees. This can only offset Alice's chargeable gains to UK CGT, e.g. UK land and buildings.

Recommendation:

For both options the IHT liability will be £nil due to there being no IHT rate for the exit charge.

If the trustees appoint the shares and cash to Alice and Alice personally sells the share on 15 May 2025. This will result in CGT of c£11k payable by the trustees, compared to c£20k, saving CGT of c£9k overall.

Alice will not be subject to UK CGT as she is non-UK resident.

We advise that the trust appoints the assets to Alice and Alice personally sells. This will result in a greater amount of net cash available to Alice and so she will receive her fair share of the trust assets.

The trust will then formerly cease as there will no relevant property. The trustees should ensure the TRS is updated and the trust de-registered.

We would need to assess the amount received by Belinda and Jason as it may be more

fair for Alice to pay the CGT arising on behalf of the trustees to equalise distributions.

Section 2.1 The Margaret Ryan Accumulation & Maintenance Trust

This trust was settled by Margaret Ryan in September 2000. The trust created was an Accumulation & Maintenance trust (A&M trust).

This type of trust was a discretionary trust that gave beneficiaries the right to an interest in income or capital by 25.

The trust was not subject to relevant property charges, including exit charges and principal charges. Assets could be appointed to beneficiaries with no charge to IHT, only a disposal for CGT.

On the creation of a trust usually there is a Chargeable lifetime Transfer (CLT) made by the settler. This is immediately chargeable to IHT and also subject to IHT on death where the settler does not survive 7 years.

However, on settlement of assets into an A&M Trust there was no CLT and only a potentially exempt transfer (PET) which is chargeable if the settler does not survive 7 years (not applicable to Margaret).

A&M trusts could only be created before 22 March 2006. From this point there was a reform following a new government. Existing A&M trusts had options on how they would continue to operate after 6 April 2008.

We note that the trust deeds appoint capital to beneficiaries at the age of 25.

Existing A&M trusts that appointed capital at 25 and as at 6 April 2008 the class of beneficiaries was closed (being that no new beneficiaries could be added e.g. not born yet) converted to an 18-25 Trust.

We note the amendment in March 2008 closing the class of beneficiaries and so no new grandchildren could be later added. There was no change to the capital appointment at 25. This meant that from 6 April 2008 the trust became an 18-25 trust.

This type of trust is subject to relevant property charges but only exit charges on appointment of capital, there are never any 10-year charges. For this reason the exit charge is always based on the initial value of the trust, not current values.

This initial value is always before available IHT reliefs known as Business Property Relief (BPR) or Agricultural Property Relief (APR).

These reliefs can reduce the amount subject to the exit charge (in some instances to £nil) and so we have reviewed the assets held in turn.

Valley Park:

This was settled to the property on its creation.

BPR is available for relevant business property, being a personal business or a share in a partnership as well as certain shareholdings.

Where buildings are used in the business an individual has control of or in the partnership they have a share in BPR is available at 50% of the value.

Valley Park is used for the purpose of the business it is let to, not for any business purpose of the trustees themselves. Therefore there is no available BPR on Valley Park .

Buttercup Field

Where UK land is used for agricultural purposes (e.g. farming) APR is available.

APR is usually 100% of the agricultural value (this can differ to market value) unless the land is let on a lease which commenced before 1 September 1995.

Where land is tenanted the trust must have owned the land for 7 years prior to any transfers

The grazing of horses is an activity that is strictly denied from APR relief. The field was used for this purpose between 2000 and 2018. Since 1 January 2019, however, it has been used for agricultural purposes. Grazing sheep is allowed.

Therefore the field has been owned and utilised for agricultural use for 7 years as of 1 January 2026. It does not currently attract APR.

We will address this later in the report in regards to the appointment to Isabella and Matthew.

33,000 BC PLC shares:

These are shares in a quoted company. Quoted company shares qualify for 100% BPR where there is a controlling shareholding, being more than 50%.

The trustees, nor does anyone in the family, have a controlling shareholding and so no BPR is available.

Further the shares will have been disposed of by the point of the capital being distributed.

Cash

Cash is not eligible for any relief, it will be subject to the exit charge in full.

Section 2.2. Sale of BC PLC shares

On the sale on 15 May 2025 the trustees of the A&M trust will incur a capital disposal, resulting in a gain.

The gain realised will be £286,440 (See Appendix 6), as also calculated by Anna Smith. The trust has an AEA available which it can offset and the remaining gain is taxable at 20%. The resulting CGT liability is £56,988 and is payable by 31 January 2027.

The trustees will need to report this on the 2025/26 tax return.

This will leave the Trust with total cash of £415,300 as the the point capital is distributed to beneficiaries.

Section 2.3. Isabella and Matthew attaining 25 on 14 August 2025

We understand that on 14 August 2025 both Isabella and Matthew will reach the age of

25. The trust deed instructs that their share of capital is to be appointed at this date.

This will mean they will each receive their share of ownership of assets.

We understand Polly will attain 25 on the 18 January 2026.

Due to the nature of the trust as a now 18-25 trust there will be an exit charge on the appointment of capital.

This is calculated using the initial value of the trust. This is reduced by Margaret's available NRB of £325,000.

A notional amount of IHT @ 20% is calculated on this net amount. This is then apportioned as a fraction of 40, being the complete quarters from the beneficiaries 18th birthday to their 25th (so 28).

This percentage is then applied to all the current value of the assets in the trust at that date for the relevant share. This will be calculated further in this report.

IHT:

On the 14 August 2025 when Isabella and Matthew receive their 1/3 each of the trust there will be exit charge of £18,050 (see Appendix 4).

This will be due by the 28 February 2026, e.g. 6 months following the end of month of transfer. A form IHT 100 needs to be filed also detailing the exit., which we can assist with.

Buttercup field does not attract any APR relief at this date as it has not been used for agricultural puposes for 7 years prior to the transfer.

Only 2/3rds of the current trust value is subject to the exit charge.

On 18 January 2026, before any further advice, Polly will receive her 1/3 share of the capital. This will give rise to an exit charge of £21,210 (See Appendix 5). This will be payable by the 31 July 2026 and filed together with a form IHT 100.

CGT:

The appointment of capital to a beneficiary gives rise to a market value disposal.

On the appointment to Isabella and Matthew there will be no disposal. This is due to the cash being exempt and also the principles laid down in the case of Crowe Vs Appleby.

Where there is a disposal of land and there is a contingent event that has not yet occurred (e.g. another beneficiary receiving their entitlement) there is no disposal until that contingent event takes place. The contingent event being Polly obtaining 25 in January 2026.

There is a CGT relief known as gift relief. This must be elected jointly between trustees and beneficiaries before 4 years following the end of the tax year. This defers any capital gains on the appointment of assets to a beneficiary.

The beneficiary then recieves the assets at the trustees base cost and not market value.

This relief can be claimed only when there is a immediate charge to IHT or on business assets. There are no business assets held until January 2026, when Buttercup field will qualify for gift relief under s.165 (as it qualifies for 100% APR).

There is no disposal for Isabella and Matthew's appointment. On Polly's appointment there is a full disposal of the land and building (cash remains exempt) but only her share subject to an exit charge, an IHT charge. This will restrict the CGT holdover relief to only 1/3 of the capital gain.

This will result in CGT of £196,667 (Appendix 7) when Polly recieved her share.

The net amounts recieved by each beneficiary after taxes will be:

	Matthew	Isabella	Polly
Share of Trust	878,433	878,433	878,433
Less Exit Charge	(9,025)	(9,025)	(21,210)
Less CGT	(nil)	(nil)	(196,667)
Net amount	869,408	869,408	660,556

This leave Polly with a significant (C£208k) amount less than on Matthew and Isabella's appointment due to the principal's of Crowe Vs Appleby.

Section 2.4 Trustees appoint capital too all 3 beneficiaries on 14 August 2025:

The trust deed allows for the trustees to use their powers and appointment capital before a beneficiary attains 25.

This means that Polly's share of capital could be distributed together with Matthew and Isabella's on 14 August 2025.

IHT:

This would result in a exit charge for the entire value of the trust.

There will be no reliefs available as the Buttercup field has not been used for agricultural puposes for at least 7 years.

The exit charge would be £65,871 in total and due by 28 February 2026 as before.

CGT:

On the distribution of all the capital in the trust there is a market value disposal. Cash is not chargeable.

There is no longer a contingent event of Polly turning 25 and obtaining her capital and so following Crowe Vs Applebuy all chargeable assets are disposed of at market value.

The capital gains arising would be £1,565,000 (see appendix 9).

The trustees and the 3 beneficiaries can jointly elect for gift relief to apply by 5 April 3030 (4 years after the end of the tax year). This can be claimed on the 2025/25 self-assessment return. The relevant forms would need to be attached for filing, which we can assist with.

The election would defer the capital gains and so the CGT due would be £nil. The beneficiaries would receive the assets at the trustees original base cost being the value in September 2000, instead of the market value.

However, this base cost will be increased by the IHT paid on the exit of the capital (regardless of who paid) and so reducing future capital gains.

We understand that the beneficiaries plan to keep their assets and so there is not a concern over an immediate disposal arising.

If the beneficiaries own the Buttercup field for 7 years and it remains used for agricultural purposes if later sold they would be able to defer the gain with gift relief as it is a qualifying business asset.

The net amount each beneficiary will recieve is £856,476 equally.

Recommendation:

We would advise that the trustees appoint their powers and distribute all capital to the 3 beneficiaries on 14 August 2025. This is instead of waiting for Polly to obtain 25 in January 2026.

This will ensure that each beneficiary obtains an equal amount of the trust assets after tax

liabilities have been paid, of £856,476 each.

This compares to Polly have c£300k less if her share is appointed on her 25th due to the principles of Crowe Vs Appleby meaning the disposal of the land and buidlings do not take place until Polly's 25th, and so restricting gift relief.

Further, we advise that the beneficiaries ensure they do not sell Buutercup field until they have owned the land for 7 years as it will qualify for 100% APR and so the gain can be deferred, avoiding an unecessary CGT liability.

ABC Chartered Tax Advisers PLC **8 May 2025**

Appendix 1: Sale of BC PLC share by trustees on 15 May 2025

	16,500 BC PLC shares		
Proceeds £	224,070	£13.58 per share	
Cost £	(120,386)		
Gain £	103,684		
AEA	(1,500)		
	102,184		
CGT @ 20%	20,437		

Base cost based on Edwards original cost as gift relief claimed $49,500/349,500 \times £850,000 = 120,386$.

Appendix 2: Exit Charge on distribution to Alice following sale

Current Value as at 17 Sept 2019		135,928	
Initial value of related RPT		n/a	

NRB of settler	325,000		
Less CLTs in 7 years prior to creation	(51,000)		
NRB remaining	(274,000)		
		Nil	

Appendix 3: Trustees appoint shares to Alice and she sells (MV disposal)

	16,500 shares		
Proceeds £	177,375		
Cost £	(120,386)		
Gain £	56,989		
AEA	(1,500)		
	55,489		
CGT @ 20%	11,098		

Appendix 4: Exit charge on appointment on 14 August 2025 (Isabella and Matthew)

Initial value of RPT		625,000	
		30,000	
		161,700	
		<u>500</u>	
		817,200	
NRB settler	325,000		
Less CLTs in 7 years prior to creation	(nil)		

NRB remaining	(325,000)		
		492,200	
Notional IHT @ 20%		98,440	
Effective Rate	$98,440/817,200 \times 100\%$	12.04601%	
Actual rate	$12.04601\% \times 30\% \times 28/40$	2.5297%	
No grossing as beneficiaries to pay			
Exit Charge			
Valley Park £2,100,000 x 2/3	$£1.4m \times 2.5297\%$	35,416	
Buutercup field £120,000 x 2/3	$80,000 \times 2.5297\%$	2,024	
33,000 shares	Nil (sold May 2025)		
Cash £415,300 x 2/3	$276,867 \times 2.5297\%$	7,004	
		44,444	

n = complete quarters from 18th birthday to 25th birthday = 28

Appendix 5: Exit Charge on appointment to Polly


Effective Rat	$98,440/817,200 \times 100\%$	12.04601%	
Actual Rate	$12.04601\% \times 30\% \times 28/40$	2.5297%	
Assets remaining			
Valley Park 2,100,000 x 1/3	$700,000 \times 2.5297\%$	17,708	
Buttercup Field 1/3	100% APR	Nil	
Cash 1/3 £415,300	$138,433 \times 2.5297\%$	3,502	
		21,210	

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Appendix 6: Sale of 33,000 share in BC PLC by trustees

	33,000 shares		
Proceeds £	448,140		
Cost £	(161,700)		
Gain £	286,440		
AEA	(1,500)		
CGT @ 20%	56,988		

Appendix 7: CGT on appointment to Polly

	Valley Park	Buttercup Field	
Proceeds £	2,100,000	120,000	
Less Cost £	(625,000)	(30,000)	
Gain £	1,475,000	90,000	
			
No AEA as sale of shares in tax year			
Less s.260 gift relief 1/3 only	(491,667)	s.165 gift relief (90,000)	
	983,333	Nil	
CGT @ 20%	196,667		

Appendix 8: Exit Charge if all capital appointed 14 August 2025:

Actual Rate	12.04601% x 30% x 28/40	2.5297%	
Actual Rate (Polly)	12.04601% x 30% x 27/40	2.4393%	

Exit Charge			
2/3rds (Isabella and Matthew)	1,756,867 x 2.5297%	44,443	
1/3rd (Polly)	878,433 x 2.4393%	21,428	
		65,871	

n = complete quarters from 18th birthday to 14 August 2025 = 27

Appendix 9: CGT on appointment of all capital on 14 August 2025

	Valley Park	Buttercup Field	Cash
Proceeds £	2,100,000	120,000	Exempt
Less Cost £	(625,000)	(30,000)	
Gain £	1,475,000	90,000	
Less s.260 gift relief	(1,475,000)	(90,000)	
Chargeable	Nil	Nil	