

APPLICATION AND PROFESSIONAL SKILLS – INHERITANCE TAX, TRUSTS & ESTATES

ASSESSMENT BASIS FOR MAY 2021 PAPER

Structure

A simple pass or fail will be awarded.

Identification and Application

The following are the relevant topics for assessment with their weightings:

1	10%	Identify and calculate the CGT liabilities arising on the proposed sale of Bramble Cottage and the sale of the paddock.
2	20%	Identify that a sale of the paddock will result in a loss of APR on the upcoming IHT exit charges. Calculate the additional IHT due.
3	30%	Identify and analyse whether the shares in Cresswell Garden Centres Ltd will qualify for 100% business property relief for IHT purposes. Calculation of the IHT exit charges arising.
4	15%	Identify the CGT issues arising on the cessation of Amanda and Darcy's interests in the trusts in relation to the shareholding in the company.
5	10%	Identify the CGT liability arising on the cessation of Amanda and Darcy's interests in the trusts in relation to the paddock and Wilton House.
6	15%	Identify that the paddock and Wilton House are indivisible assets and the impact of the rule in <i>Crowe v Appleby</i> on Amanda and Darcy's distributions. Recognising that the trustees can exercise their power of advancement in respect of Darcy's entitlement.

A grade of 0,1,2,3, or 4 is awarded to each topic. The weighting is applied to that grade to produce a weighted average grade. The total of these scores is then converted to a final absolute grade by rounding up or down to the nearest grade. Thus, scores in the range 2.5 to 3.49 will be a grade 3.

Relevant Advice and Substantiated Recommendations

The following are the topics for assessment with their weightings:

15%	Advice and recommendations on whether the trustees should sell Bramble Cottage or the paddock.
30%	Advice on whether the company's business will meet the "wholly or mainly trading" tests and if the trust's shareholding will qualify for 100% BPR for IHT purposes.
25%	Advice and recommendations on the CGT implications of the transfer of shares in the company to Amanda and Darcy from the trust. To include consideration of holdover relief.
30%	Advice and recommendations on the CGT implications of the transfer of the paddock and Wilton House to Amanda and Darcy from the trust. To include consideration of the impact on Amanda and Darcy's inheritance from Violet and the availability of the trustees' power of advancement.

The final grade will be determined for this skill in the same way as for Identification and Application.