Tolley® Exam Training

ATT PAPER 5

IHT, TRUSTS AND ESTATES

PRE REVISION QUESTION BANK

FA 2020

May and November 2021 Sittings

PQ965

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INTRODUCTION

This Pre Revision Question Bank for ATT Paper 5 contains 4 SFQ tests and 10 exam standard long questions (all with answers updated to FA 2020).

Marking guides have been included in the answers where these were provided by the ATT but some answers date from the sittings prior to when the ATT started publishing their marking guides and so these answers do not include marking guides.

This question bank forms an important part of your preparation for the examination - question practice is the key to passing exams.

Format of the exam

All the ATT exams are **3.5 hours long and** will have a mixture of computational and written questions with no question choice. The paper is split into 2 parts:

Part I consists of "short form" questions ("SFQs") worth between 2 and 4 marks each, which account for 40% of the paper. There will be between 10 and 20 such questions in a paper.

In Part II the remaining 60% of the paper will be between 3 and 5 **longer questions** carrying from 10 to 20 marks each, usually split into shorter subsections with marks allocated to each subsection.

Using this question bank

You should attempt each question as if you were in the real exam. Try to **avoid just reading the answers** to questions - it is all too easy to nod as you read our answer saying "yes I know that point, yes I understand that advice given" - the test is would you have actually put those points in your answer? You won't find this out unless you **type up the answers**.

Ensuring you type up "proper" answers also gives you a good idea of how long an exam standard answer will take you to type.

We recommend you **allocate 1.9 minutes per mark** which allows 10 minutes reading time at the start of the exam and 10 minutes for a final review at the end of the exam.

Reviewing your answers

It is essential to read through your answer when you have finished typing it. We thought it might be useful at this stage to pass on some tips about how to review your answers effectively – before you look at our model answer.

Remember the first thing the marker will do is read your answer through as a whole – what overall impression are you giving of your ability? Have you put the marker in a good mood as soon as they see your script or are they going to be dreading marking what you have handed in?

Key **presentation considerations** include using proformas, spacing your answer out, cross referencing your workings and using subheadings and short paragraphs.

You may be able to make some small corrections at this review stage – you may find you have missed out a vital word such as "not" or you may at this stage think of another point or two to add while reading your answer. This approach could increase your marks much more effectively than carrying on with the point you were making before you stopped to do this final review.

Reviewing the model answer

Review critically both your answer and the model answer. Are there points in the model answer which you could have included in your answer to get extra marks? Are there points you have included which, with the benefit of hindsight, you should have left out? You may have included valid points which are not included in the model answer.

LAW AND ETHICS

The ATT Paper 5 syllabus includes Law and Ethics and these topics can be tested either as part of a long question or as a short form question.

The required depth of knowledge is “Principles”, i.e. you will be expected to have an awareness that a principle exists and its main thrust.

To get you familiar with the type of questions that may be examined, elements of law and ethics may appear in some of the questions in this Pre Revision Question Bank and may also be tested in the Pre Revision and Revision mock exams. There will also be some short questions for Law and Ethics at the back of your Revision Question Bank. Attempting these questions will be good preparation for your examinations.

Law:

The chapters from the ATT/CIOT Law text book “Essential Law for Tax Practitioners” (5th edition) that are included in the Paper 5 syllabus are:

Chapter 7	Criminal Law and Tort
Chapter 8	The Law of Property
Chapter 15	The Law of Gifts and Succession Law
Chapter 16	Trust Law
Chapter 17	Establishing and Managing a Trust

Ethics:

The chapters from the ATT/CIOT Ethics text book “Professional Responsibilities and Ethics for Tax Practitioners” (5th edition) that are included in the Paper 1-6 syllabuses are:

PRPG (2018):

Chapter 4	New clients and engagement letters
Chapter 5	Client service
Chapter 6	Objectivity (including conflicts of interest)
Chapter 7	Other client handling issues
Chapter 8	Charging for services
Chapter 9	Complaints
Chapter 10	Ceasing to act

PCRT (2019):

Chapter 19	The fundamental principles
Chapter 20	The standards for tax planning
Chapter 21	Help sheet A: Submission of tax information and 'tax filings'
Chapter 22	Help sheet B: Tax advice
Chapter 23	Help sheet C: Dealing with errors
Chapter 24	Help sheet D: Request for data by HMRC
Chapter 25	Help sheet E: Members’ personal tax affairs

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SHORT FORM QUESTIONS

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LONG QUESTIONS

1	Elliot	Death estate
2	Jim Young Trust	Disc trust – distribution of assets
3	John James	Trust – IT & IHT
4	Paul Darko	IHT liability, residence and domicile
5	Mr Ross	IHT on death, CGT & IHT re lifetime gifts
6	Mrs Walker	Estate IT; law: wills/PRs; post mortem relief
7	Mary Lamb	IT and CGT of an estate
8	Button Discretionary Trust	IHT and CGT reliefs for trusts; protective trust
9	Jack	Lifetime & death IHT; domicile; admin
10	Kate Discretionary Trust	CGT and IT of a discretionary trust

ATT EXAMINATIONS
2021
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INCOME TAX

Rates (Note 1)	**2020/21** %
Starting rate for savings income only	0
Basic rate for non-savings and savings income only	20
Higher rate for non-savings and savings income only	40
Additional and trust rate for non-savings and savings income only	45
Dividend ordinary rate	7.5
Dividend upper rate	32.5
Dividend additional rate and trust rate for dividends	38.1

Thresholds	£
Savings income starting rate band	1 – 5,000
Basic rate band	1 – 37,500
Higher rate band	37,501 – 150,000
Dividend Allowance	2,000
Personal Savings Allowance	
– Taxpayer with basic rate income	1,000
– Taxpayer with higher rate income	500
– Taxpayer with additional rate income	Nil
Standard rate band for trusts	1,000

Scottish Tax Rates and Thresholds (Note 2)

£	%
1 – 2,085	19
2,086 –12,658	20
12,659 – 30,930	21
30,931 – 150,000	41
150,000 +	46

Reliefs	£
Personal allowance (Note 3)	12,500
Married couple's allowance (Note 4)	9,075
– Maximum income before abatement of relief - £1 for £2	30,200
– Minimum allowance	3,510
Transferable tax allowance for married couples and civil partners (Note 5)	1,250
Blind person's allowance	2,500
Enterprise investment scheme relief limit (Relief at 30%) (Note 6)	1,000,000
Venture capital trust relief limit (Relief at 30%)	200,000
Seed enterprise investment scheme relief limit (Relief at 50%)	100,000
Social investment relief limit (Relief at 30%)	1,000,000

Notes:
(1) Welsh taxpayers pay income tax using the same rates and thresholds as other UK (but not-Scottish) taxpayers.
(2) Scottish taxpayers pay Scottish income tax on non-savings income.
(3) The personal allowance of an individual with adjusted net income above £100,000 is reduced by £1 for every £2 of adjusted net income above the £100,000 limit.
(4) Only available where at least one partner was born before 6 April 1935. Relief restricted to 10%.
(5) The recipient must not be liable to tax above the basic rate. The recipient is eligible for a tax reduction of 20% of the transferred amount.
(6) The limit is £2 million, where over £1 million is invested in knowledge-intensive companies.

ISA limits	**Maximum subscription** £
'Adult' ISAs	20,000
Junior ISAs	9,000

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Pension contributions

Basic amount qualifying for tax relief £3,600

	Annual allowance (Note)	Lifetime allowance	Minimum pension age
	£	£	
2020/21	40,000	1,073,100	55

Note: The annual allowance is tapered by £1 for every £2 of adjusted income above £240,000 for individuals with threshold income above £200,000. It cannot be reduced below £4,000.

ITEPA mileage rates

Vehicles

Car or van (Note)	First 10,000 business miles	45p
	Additional business miles	25p
Motorcycles		24p
Bicycles		20p
Passenger payments		5p

Note: For NIC purposes, a rate of 45p applies irrespective of mileage.

Company cars and fuel – 2020/21

	Electric range(miles)	Car benefit % Pre 6 April 2020 registration (note)	Car benefit % On/after 6 April 2020 registration (note)	
Emissions				
0g/km	N/A	0%	0%	
1-50g/km	>130	2%	0%	
1-50g/km	70-129	5%	3%	
1-50g/km	40-69	8%	6%	
1-50g/km	30-39	12%	10%	
1-50g/km	<30	14%	12%	
51-54g/km		15%	13%	
55-59g/km		16%	14%	
60-64g/km		17%	15%	
65-69g/km		18%	16%	
70-74g/km		19%	17%	
75g/km or more		20%	18%	+ 1% for every additional whole 5g/km above 75g/km
160g/km or more		37%		
170g/km or more			37%	

Note: 4% supplement for diesel cars, excluding those that meet the Real Driving Emissions Step 2 (RDE2) standard (not to exceed maximum of 37%).

Fuel benefit base figure £24,500

Taxable benefits for vans – 2020/21	**£**
Van benefit – No CO_2 emissions	2,792
Van benefit – CO_2 emissions > 0g/km	3,490
Fuel benefit	666

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Childcare

Employer supported childcare – basic rate taxpayer (Note)	£55 per week

Note: For schemes joined on or after 6 April 2011 the exempt childcare amounts for higher and additional rate taxpayers (based on the employer's earning assessment only) are £28 and £25 respectively.

2020/21 Official rate of interest	2.25%

STUDENT AND POSTGRADUATE LOAN RECOVERY

Student Loans
Plan 1 (loan taken out pre 1.9.12 or at any time if taken out in Scotland)

Employee earnings threshold at which repayment begins is £1,615 per month.

Plan 2 (loan taken out in England and Wales on/after 1.9.12)

Employee earnings threshold at which repayment begins is £2,214 per month.

Rate of deductions is 9% of earnings above the threshold rounded down to the nearest whole pound.

Postgraduate Loans
Employee earnings threshold at which repayment begins is £1,750 per month.

Rate of deductions is 6% of earnings above the threshold rounded down to the nearest whole pound.

STATUTORY PAYMENTS

Statutory sick pay		**Weekly rate**
Average weekly gross earnings	£120.00 or more	£95.85

Statutory maternity/adoption pay	First 6 weeks @ 90% of AWE Next 33 weeks @ the lower of £151.20 and 90% of AWE
Statutory shared parental pay /paternity pay/parental bereavement pay	For each qualifying week, the lower of 90% of AWE and £151.20

QUALIFYING CARE RELIEF

	Flat rate	**Placement < 11**	**Placement ≥ 11**
Year to 5 April 2021	£10,000 per year	£200 per week	£250 per week

CHILD BENEFIT

Year to 5 April 2021

Rates	**Weekly rate**
	£
First child	21.05
Each subsequent child	13.95

Child benefit charge	**Withdrawal rate**
Adjusted net income >£50,000	1% of benefit per £100 of income between £50,000 and £60,000
Adjusted net income >£60,000	Full child benefit amount assessable in that tax year

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HMRC INTEREST RATES

Late payment interest	2.6%
Underpaid corporation tax instalments interest	1.1%
Repayment interest	0.5%
Credit interest	0.5%

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 limits		**2020/21**	
	Annual	**Monthly**	**Weekly**
	£	£	£
Lower earnings limit (LEL)	6,240	520	120
Primary threshold (PT)	9,500	792	183
Secondary threshold (ST)	8,788	732	169
Upper earnings limit (UEL)	50,000	4,167	962
Upper secondary threshold for U21 (UST) (Note 1)	50,000	4,167	962
Apprentice upper secondary threshold for U25 (AUST) (Note 2)	50,000	4,167	962

	2020/21
Employment allowance	
Per year, per employer	£4,000
Class 1 primary contribution rates	
Earnings between PT and UEL	12%
Earnings above UEL	2%
Class 1 secondary contribution rates	
Earnings above ST (Notes 1 & 2)	13.8%
Other contribution limits and rates	
Class 1A contributions	13.8%
Class 1B contributions	13.8%
Class 2 contributions	
Normal rate	£3.05 pw
Small profits threshold	£6,475 pa
Class 3 contributions	£15.30 pw
Class 4 contributions	
Annual lower profits limit (LPL)	£9,500
Annual upper profits limit (UPL)	£50,000
Percentage rate between LPL and UPL	9%
Percentage rate above UPL	2%

Notes: (1) The rate of secondary NICs for employees under the age of 21 on earnings between the ST and UST is 0%.

(2) The rate of secondary NICs for apprentices under the age of 25 on earnings between the ST and AUST is 0%.

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SIMPLIFICATION MEASURES

'Rent-a-room' limit	£7,500
Property allowance/Trading allowance	£1,000

FLAT RATE EXPENSES FOR UNINCORPORATED BUSINESSES

Motoring expenses	First 10,000 business miles		45p per mile
	Additional business mile		25p per mile
Business use of home	25 – 50 hours use		£10 per month
	51 – 100 hours use		£18 per month
	101+ hours use		£26 per month
Private use of business premises	No of persons living there:	1	£350 per month
		2	£500 per month
		3+	£650 per month

CASH BASIS

Turnover threshold to join scheme	£150,000
Turnover threshold to leave scheme	£300,000

CAPITAL ALLOWANCES

Annual investment allowance for plant and machinery (AIA) (Note 1)	100%
WDA on plant and machinery in main pool (Note 2)	18%
WDA on plant and machinery in special rate pool (Note 3)	6%
WDA on structures and buildings (SBA) (Note 4)	3%

Notes:
(1) 100% on the first £1,000,000 of investment in plant and machinery (except cars) from 1 January 2019 to 31 December 2020 (£200,000 from 1 January 2021).
(2) The main pool rate applies to cars with CO_2 emissions of not more than 110 g/km.
(3) The special pool rate applies to cars with CO_2 emissions greater than 110 g/km.
(4) The SBA rate was 2% prior to April 2020.

First year allowances available to all businesses
1) Capital expenditure incurred by a person on research and development.
2) New zero-emission goods vehicles.
3) New cars if the car either emits not more than 50 g/km of CO_2 or it is electrically propelled.
4) Electric vehicle charging points expenditure.

VALUE ADDED TAX

Standard rate	20%
VAT fraction	1/6

Limits	**From 1.4.20**
Annual registration limit	£85,000
De-registration limit	£83,000

Thresholds	**Cash accounting**	**Annual accounting**
Turnover threshold to join scheme	£1,350,000	£1,350,000
Turnover threshold to leave scheme	£1,600,000	£1,600,000

ADVISORY FUEL RATES (as at 1 June 2020)

Engine size	**Petrol**	**LPG**	**Engine size**	**Diesel**
1400cc or less	10p	6p	1600cc or less	8p
1401cc to 2000cc	12p	8p	1601cc to 2000cc	9p
Over 2000cc	17p	11p	Over 2000cc	12p

Electricity rate 4p

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CORPORATION TAX

Financial year	**2020**	**2019**
Patent box	10%	10%
Main rate	19%	19%

Research and development expenditure

SMEs (Note)	230%
Large companies – RDEC	13% (12% prior to 1 April 2020)

Note: Small and medium sized enterprises (SMEs) must have < 500 employees and *either* turnover ≤ €100m or assets ≤ €86m.

INHERITANCE TAX

Death rate	40% (Note)	**Lifetime rate**	20%

Note: A lower rate of IHT of 36% applies where 10% of more of the deceased person's net chargeable estate is left to charity.

Nil rate bands

6 April 1996 – 5 April 1997	£200,000	6 April 2003 – 5 April 2004	£255,000
6 April 1997 – 5 April 1998	£215,000	6 April 2004 – 5 April 2005	£263,000
6 April 1998 – 5 April 1999	£223,000	6 April 2005 – 5 April 2006	£275,000
6 April 1999 – 5 April 2000	£231,000	6 April 2006 – 5 April 2007	£285,000
6 April 2000 – 5 April 2001	£234,000	6 April 2007 – 5 April 2008	£300,000
6 April 2001 – 5 April 2002	£242,000	6 April 2008 – 5 April 2009	£312,000
6 April 2002 – 5 April 2003	£250,000	6 April 2009 – 5 April 2021	£325,000

Residence nil rate bands (Note)

6 April 2017 – 5 April 2018	£100,000	6 April 2019 – 5 April 2020	£150,000
6 April 2018 – 5 April 2019	£125,000	6 April 2020 – 5 April 2021	£175,000

Note: An additional nil rate band is available where a main residence is passed on death to a direct descendant. Tapered withdrawal for estates > £2 million.

Taper relief

Death within 3 years of gift	Nil%
Between 3 and 4 years	20%
Between 4 and 5 years	40%
Between 5 and 6 years	60%
Between 6 and 7 years	80%

Quick succession relief

Period between transfers less than one year	100%
Between 1 and 2 years	80%
Between 2 and 3 years	60%
Between 3 and 4 years	40%
Between 4 and 5 years	20%

Lifetime exemptions

Annual exemption		£3,000
Small gifts		£250
Wedding gifts	– Child	£5,000
	– Grandchild or remoter issue or other party to marriage	£2,500
	– Other	£1,000

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CAPITAL GAINS TAX

	2020/21
Annual exempt amount	£12,300
CGT rates for individuals (Notes 1 & 2)	
Gains qualifying for business asset disposal relief	10%
Gains falling within remaining basic rate band (Notes 3 & 4)	10%
Gains exceeding basic rate band (Note 5)	20%
CGT rates for trusts & individuals paying the remittance basis charge	
Gains qualifying for business asset disposal relief/investors' relief	10%
Other gains (Note 5)	20%
CGT Rate for PRs	
All gains (Note 5)	20%
Business Asset Disposal relief	
Relevant gains (lifetime maximum) (Note 6)	£1 million
Investors' relief	
Relevant gains (lifetime maximum)	£10 million

Notes:
(1) For individuals, gains are taxed as if they are the top slice of income.
(2) Capital losses and the annual exempt amount may be offset in the most beneficial manner, ie against gains not qualifying for business asset disposal relief/investors' relief first.
(3) The remaining basic rate band is calculated as £37,500 (2020/21) less taxable income less any gains on which business asset disposal relief has been claimed. The remaining basic rate band can be allocated in the most beneficial manner.
(4) The rate is 18% if the gain is in respect of a residential property
(5) The rate is 28% if the gain is in respect of a residential property
(6) For qualifying disposals made before 11 March 2020 the lifetime limit was £10 million

Lease percentage table

Years	Percentage	Years	Percentage	Years	Percentage
50 or more	100.000	33	90.280	16	64.116
49	99.657	32	89.354	15	61.617
48	99.289	31	88.371	14	58.971
47	98.902	30	87.330	13	56.167
46	98.490	29	86.226	12	53.191
45	98.059	28	85.053	11	50.038
44	97.595	27	83.816	10	46.695
43	97.107	26	82.496	9	43.154
42	96.593	25	81.100	8	39.399
41	96.041	24	79.622	7	35.414
40	95.457	23	78.055	6	31.195
39	94.842	22	76.399	5	26.722
38	94.189	21	74.635	4	21.983
37	93.497	20	72.770	3	16.959
36	92.761	19	70.791	2	11.629
35	91.981	18	68.697	1	5.983
34	91.156	17	66.470	0	0.000

Retail Prices Index

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1982	–	–	79.44	81.04	81.62	81.85	81.88	81.90	81.85	82.26	82.66	82.51
1983	82.61	82.97	83.12	84.28	84.64	84.84	85.30	85.68	86.06	86.36	86.67	86.89
1984	86.84	87.20	87.48	88.64	88.97	89.20	89.10	89.94	90.11	90.67	90.95	90.87
1985	91.20	91.94	92.80	94.78	95.21	95.41	95.23	95.49	95.44	95.59	95.92	96.05
1986	96.25	96.60	96.73	97.67	97.85	97.79	97.52	97.82	98.30	98.45	99.29	99.62
1987	100.0	100.4	100.6	101.8	101.9	101.9	101.8	102.1	102.4	102.9	103.4	103.3
1988	103.3	103.7	104.1	105.8	106.2	106.6	106.7	107.9	108.4	109.5	110.0	110.3
1989	111.0	111.8	112.3	114.3	115.0	115.4	115.5	115.8	116.6	117.5	118.5	118.8
1990	119.5	120.2	121.4	125.1	126.2	126.7	126.8	128.1	129.3	130.3	130.0	129.9
1991	130.2	130.9	131.4	133.1	133.5	134.1	133.8	134.1	134.6	135.1	135.6	135.7
1992	135.6	136.3	136.7	138.8	139.3	139.3	138.8	138.9	139.4	139.9	139.7	139.2
1993	137.9	138.8	139.3	140.6	141.1	141.0	140.7	141.3	141.9	141.8	141.6	141.9
1994	141.3	142.1	142.5	144.2	144.7	144.7	144.0	144.7	145.0	145.2	145.3	146.0
1995	146.0	146.9	147.5	149.0	149.6	149.8	149.1	149.9	150.6	149.8	149.8	150.7
1996	150.2	150.9	151.5	152.6	152.9	153.0	152.4	153.1	153.8	153.8	153.9	154.4
1997	154.4	155.0	155.4	156.3	156.9	157.5	157.5	158.5	159.3	159.5	159.6	160.0
1998	159.5	160.3	160.8	162.6	163.5	163.4	163.0	163.7	164.4	164.5	164.4	164.4
1999	163.4	163.7	164.1	165.2	165.6	165.6	165.1	165.5	166.2	166.5	166.7	167.3
2000	166.6	167.5	168.4	170.1	170.7	171.1	170.5	170.5	171.7	171.6	172.1	172.2
2001	171.1	172.0	172.2	173.1	174.2	174.4	173.3	174.0	174.6	174.3	173.6	173.4
2002	173.3	173.8	174.5	175.7	176.2	176.2	175.9	176.4	177.6	177.9	178.2	178.5
2003	178.4	179.3	179.9	181.2	181.5	181.3	181.3	181.6	182.5	182.6	182.7	183.5
2004	183.1	183.8	184.6	185.7	186.5	186.8	186.8	187.4	188.1	188.6	189.0	189.9
2005	188.9	189.6	190.5	191.6	192.0	192.2	192.2	192.6	193.1	193.3	193.6	194.1
2006	193.4	194.2	195.0	196.5	197.7	198.5	198.5	199.2	200.1	200.4	201.1	202.7
2007	201.6	203.1	204.4	205.4	206.2	207.3	206.1	207.3	208.0	208.9	209.7	210.9
2008	209.8	211.4	212.1	214.0	215.1	216.8	216.5	217.2	218.4	217.7	216.0	212.9
2009	210.1	211.4	211.3	211.5	212.8	213.4	213.4	214.4	215.3	216.0	216.6	218.0
2010	217.9	219.2	220.7	222.8	223.6	224.1	223.6	224.5	225.3	225.8	226.8	228.4
2011	229.0	231.3	232.5	234.4	235.2	235.2	234.7	236.1	237.9	238.0	238.5	239.4
2012	238.0	239.9	240.8	242.5	242.4	241.8	242.1	243.0	244.2	245.6	245.6	246.8
2013	245.8	247.6	248.7	249.5	250.0	249.7	249.7	251.0	251.9	251.9	252.1	253.4
2014	252.6	254.2	254.8	255.7	255.9	256.3	256.0	257.0	257.6	257.7	257.1	257.5
2015	255.4	256.7	257.1	258.0	258.5	258.9	258.6	259.8	259.6	259.5	259.8	260.6
2016	258.8	260.0	261.1	261.4	262.1	263.1	263.4	264.4	264.9	264.8	265.5	267.1
2017	265.5	268.4	269.3	270.6	271.7	272.3	272.9	274.7	275.1	275.3	275.8	278.1

PAPER 5
SHORT FORM QUESTIONS
TEST “1” – MAY 2011

1. **Define a transfer of value.** (2)

2. Gary made a gift of £444,000 to his son, Todd, on 31 March 2016.

   Gary died on 2 January 2021.

   Calculate the Inheritance Tax payable by Todd in respect of the gift made by his father. (Ignore the annual exemption). (2)

3. Certain transactions are treated differently for tax purposes by the ‘connected persons’ rule. A person is connected with an individual if they are a spouse, civil partner or relative of that individual.

   1) Give two other examples of a person who is treated as a connected person for Capital Gains Tax purposes. (2)

   2) Explain the Capital Gains Tax consequences of transfers between connected persons. (2)

   Total (4)

4. **Explain the Inheritance Tax, Capital Gains Tax and Income Tax implications of a bare trust for a beneficiary.** (3)

5. Claude died on 30 September 2020. He was UK resident but non-UK domiciled for Inheritance Tax purposes. He left his estate to his daughter, Jean, valued as follows:

	£
UK main residence	430,000
Portfolio of UK authorised unit trusts	120,000
UK bank account	45,000

   Claude had also made a chargeable transfer of £110,000 to Jean on 2 August 2017, which was his only previous lifetime gift.

   Calculate the Inheritance Tax due on Claude’s death estate. (Ignore the annual exemption). (3)

6. **Following on from Question 5, state the form(s) required by HM Revenue & Customs from Claude’s personal representatives, the due date for the Inheritance Tax to be paid and the consequences if the Inheritance Tax is paid late.** (3)

7. Barry owns 51% of the shares in a quoted trading company, Geronimo plc. The shares are currently valued at £9.8 million and he has decided to gift them to a discretionary trust for his children. The total value of the company is £20 million which includes a residential property worth £1.8 million which is let to one of the directors.

   Barry's previous lifetime gifts have utilised his full nil rate band and annual exemptions.

   Calculate the Inheritance Tax payable by Barry in respect of this transfer. (3)

8. Harold died on 3 December 2020 owning 800 shares in Widget plc. The Stock Exchange's Daily List of prices at the date of Harold's death showed the following:

   1) Spread of prices quoted: 112p–130p

   2) List of bargains: 114p, 116p, 120p, 121p, 125p, 127p, 129p

   Calculate the value of Harold's holding in Widget plc at his date of death. (3)

9. Fred made a gift of his property to his son Ralph on 22 April 2020 when it was worth £570,000. Fred continued to live in the property rent-free. Fred has made no previous lifetime transfers, other than to use his annual exemption each year.

   Explain the Inheritance Tax implications of the gift made by Fred. (3)

10. **Following on from Question 9, explain how the situation would differ if Fred had made a gift of money to Ralph, which Ralph uses five years later to purchase a property for Fred to live in rent-free.** (2)

11. On 30 May 2020 Doris made a gift of £35,000 to her son, Jimmy, on the occasion of his marriage. Doris then made a further gift of £50,000 to her husband, Boris, on 4 July 2020. The only other gifts made by Doris during 2020/21 were birthday and Christmas presents of £100 to each to her 5 grandchildren. Both Doris and Boris are UK domiciled individuals.

    State the exemptions available to Doris in respect of these lifetime gifts. (3)

12. Land and buildings of historic or architectural interest may be eligible for conditional exemption.

    Briefly explain the Inheritance Tax treatment of conditionally exempt assets. (2)

Use the following information to answer Questions 13 and 14.

Steven Davis died on 30 September 2020. His Executors received the following income during 2020/21:

	£
Interest from an ISA	500
Treasury stock interest	5,500
UK rental income	4,000
Dividends	2,700

The Executors also incurred administrative expenses of £450 in relation to the income of the estate.

The entire estate was left to Steven's daughter, Laura.

13. **Show the Income Tax position of the Executors.** (3)

14. **Calculate the net taxable income due to Laura and show the entries needed on the tax deduction certificate given to her by the Executors.** (4)

TEST “1” – MAY 2011
ANSWERS

1. A transfer of value is a disposition made by a transferor as a result of which the value of his estate immediately after the disposition is less than it would be but for the disposition. The value transferred by the transfer is the amount by which the value of the estate is diminished (otherwise known as the loss to the donor).

2.

	£
Gift	444,000
Less: Nil band	(325,000)
Taxable	119,000
IHT @ 40%	47,600
Less: Taper relief (4 – 5 years = 40%)	(19,040)
Tax due	28,560

3.

1) Any two of:

   i) The trustee of a settlement is connected with the settlor (if an individual) and with any person connected with the settlor.

   ii) A person is connected with any person with whom he is in partnership, and with any person connected with the partner.

   iii) Companies under the same control are connected with each other and with the persons controlling them.

   iv) The spouse of a relative of the individual is connected with the individual.

   v) A relative of the spouse of the individual is connected with the individual.

2)

   i) Where there is a transaction between connected persons, the disposal proceeds are deemed to be the market value.

   ii) Losses on disposals to a connected person can only be set against gains on disposals to the same connected person.

4. The beneficiary of a bare trust is absolutely entitled to the trust assets and any income arising from them. Therefore:

1) The value of the trust assets will be included in the beneficiary’s free estate for IHT purposes.

2) Lifetime transfers of trust assets by the bare trustees will be treated as transfers by the beneficiary for IHT purposes.

3) The income arising from the trust assets will be taxable on the beneficiary at their rates of tax.

4) The capital gains arising from disposals of trust assets will be taxable on the beneficiary, after deducting any unused annual exempt amount, at a rate of either 10% or 20% depending on their income (18% or 28% if the asset is residential property).

5.

	£	£
UK main residence		430,000
Portfolio of UK unit trusts (Note)		Nil
UK bank account		45,000
Death estate		475,000
Less: Residence nil rate band		(175,000)
Nil band	325,000	
Less: Chargeable transfers in previous 7 years	(110,000)	
		(215,000)
Taxable		85,000
IHT @ 40%		34,000

Note:

Excluded property for non-UK domiciled individuals under s.6(1A) IHTA.

6. Claude's PRs will need to submit form IHT 400 providing full details of the death estate and confirming the details of the gift made by Claude in the seven years prior to his date of death.

IHT arising on the death estate is due by 31 March 2021 (ie, six months after the end of the month of death) or on application for Probate if earlier. However, IHT due in respect of Claude's main residence may be paid by ten equal annual instalments, the first instalment due on 31 March 2021.

Interest will arise on any outstanding IHT even where it is being paid by instalments.

7.

	£	£
Gift		9,800,000
BPR @ 50%	4,900,000	
Less: Excepted assets restriction		
£4,900,000 x (1,800,000/20,000,000)	(441,000)	
		(4,459,000)
		5,341,000
IHT @ 20/80		1,335,250

8. The IHT value is the lower of:

The quarter-up value

(130 – 112)/4 + 112 = 4.5 + 112 = 116.5p per share
116.5p x 800 = £932

The mid bargain value

(129 + 114)/2 = 121.5p per share
121.5 x 800 = £972

The value of Harold's shares will be the lower value, ie £932.

9. The gift to Ralph is a PET and will become liable to IHT on the value transferred, less any available nil rate band, if Fred dies within seven years.

   The gift is a gift with reservation of benefit, so Fred is treated as continuing to own the property. The value will be included in his death estate at the value at the date of death.

   This could result in a 'double charge' to IHT. HMRC will only tax the gift which will produce the highest liability.

10. If Fred makes a gift of money, he will not fall foul of the gift with reservation of benefit rules.

    Instead if within seven years Fred subsequently benefits from an asset acquired with the money given away, he will come within the pre-owned asset tax regime. Fred will then be liable to income tax on the annual rental value of the property.

11.

	£
Gift to Jimmy	35,000
Less: Marriage exemption	(5,000)
Less: AEs x 2	(6,000)
PET	24,000
Gift to Boris	50,000
Less: Spouse exemption	(50,000)
	Nil

The gifts to the grandchildren are covered by the small gifts exemption as they are below £250 each.

12.

1) A chargeable transfer of qualifying national Heritage Property is conditionally exempt from IHT if undertakings given to the Treasury are observed.

2) The undertakings may include preserving the property and allowing reasonable public access to it.

3) A sale of the property, or a transfer of it without the undertaking being renewed, will normally lead to a loss of the exemption so IHT will become payable.

13. Executors tax position 2020/21:

	Non-savings	Interest	Dividends
	£	£	£
Interest from ISA (Note)		Nil	
Treasury Stock interest		5,500	
UK rental income	4,000		
Dividends			2,700
	4,000	5,500	2,700
Tax @ 20% / 20% / 7.5%	800	1,100	202
Tax due		£2,102	

No relief for the expenses of administration (£450).

Note. The tax-free status of the ISA continues at death, so interest is tax-free (for a maximum of three years).

14. Net taxable income due to Laura:

	Non-savings	Interest	Dividends
	£	£	£
Gross income	4,000	5,500	2,700
Less: Tax	(800)	(1,100)	(202)
Net income	3,200	4,400	2,498
Less: Expenses			(450)
Net distributable income	3,200	4,400	2,048

R185 tax deduction certificate:	Net	Tax
	£	£
Non-savings income	3,200	800
Interest	4,400	1,100
Dividends	2,048	166

PAPER 5
SHORT FORM QUESTIONS
TEST "2" – NOVEMBER 2011
(40 MARKS)

1. On 1 March 2021, Beverley created an interest in possession trust for the benefit of her godson, Angus, by transferring £500,000 to the trustees. Beverley made a previous chargeable lifetime transfer of £45,000 in 2018.

   1) Calculate the IHT payable by Beverley (ignoring annual exemptions). (2)

   2) Briefly state Angus' Inheritance Tax position when he dies. (1)

   Total (3)

2. The Elizabeth Trust is a discretionary trust which holds shares in XYZ Ltd. The share price recently went up to £7.50 and so the trustees sold 300 of their shares at that price on 31 January 2021. The trustees acquired their XYZ Ltd shares on the following dates:

Date	No. of shares	Price per share (£)
1 September 2019	150	4.50
1 September 2020	250	5.20

   Calculate the trustees' Capital Gains Tax liability (ignoring the annual exempt amount). (3)

You should use the following information to answer both questions 3 and 4.

Adrian died on 28 December 2020. His estate was valued at £500,000. Adrian's Will stated that a legacy of £50,000 should be paid to each of his 3 adult children and that the residue of his estate should pass to his widow, who is UK domiciled.

The family have instructed Adrian's solicitor to prepare a deed of variation to alter Adrian's Will as follows:

Original legacy: The residue of my estate to my wife

Revised legacy: The residue of my estate to a discretionary trust for the benefit of my wife, children and future grandchildren.

Adrian's eldest son, Colin, is extremely wealthy in his own right and wishes to disclaim his entitlement under his father's Will.

3. **Explain the Inheritance Tax consequences of making the proposed deed of variation and state the time limit for the deed of variation to be executed.** (3)

4. **Explain the Inheritance Tax consequences of Colin making a deed of disclaimer and state the time limit in which the disclaimer must be made.** (3)

5. The estate of Pauline Smith, who died on 15 December 2020, contained an antique portrait that was valued for probate at £2,000. The personal representatives sold the portrait on 20 January 2021 for £9,000, although they incurred selling costs of £500.

   Calculate the Capital Gains Tax payable by the personal representatives, ignoring the annual exempt amount. (3)

6. The Ferguson Discretionary Trust was created on 2 September 2016 by John Ferguson, who had made chargeable transfers in the previous seven years totalling £350,000. The value of the trust at creation was £275,000. The trustees made a capital distribution of £50,000 on 14 November 2020.

   Calculate, showing all your workings, the Inheritance Tax payable by the trustees of the Ferguson Discretionary Trust as a result of the capital distribution. (4)

7. **Explain Capital Gains Tax hold-over relief in relation to non-business assets both added to and distributed from trusts, including settlor-interested trusts.** (4)

8. The trustees of the Leodis Discretionary Trust wish to distribute their holding of 4,000 Plummet Ltd shares to a beneficiary. The trustees acquired the shares in May 2015 for £25 per share and the market value at the date of transfer is £12 per share.

   1) Calculate the capital loss arising on the transfer. (1)

   2) Briefly explain how this loss is treated. (3)

   Total (4)

9. The trustees of a settlement hold £100,000 3% Treasury stock on which interest is payable half yearly on 1 June and 1 December. They sold this stock on 1 November 2020. The stock went ex-dividend on 25 November 2020.

   1) Calculate the accrued income chargeable on the trustees. (3)

   2) State when the accrued income scheme does not apply. (1)

   Total (4)

10. **Briefly explain the difference between residence and domicile. (You are not required to explain the different types of domicile).** (2)

11. Emma died in March 2021 leaving an estate valued at £625,000. She was UK domiciled. Her estate included the family home in the UK, worth £425,000, and a house in Turkey worth £120,000. Turkish death duties of £30,000 were payable.

    Emma made a gift to her son of £100,000 in 2016. She left her estate to her son as her husband was independently wealthy.

    Show the IHT due on Emma's estate, after all reliefs. (3)

12. Earl Grey died in February 2021 leaving his estate to his son Charles. The estate included a John Constable painting valued at £20m. Earl Grey's Executors made a claim under s.31 IHTA 1984 for the painting to be designated as Heritage Property and the IHT on the painting was duly deferred.

    Briefly explain the situations in which a 'recapture charge' on the painting could arise. (4)

TEST "2" – NOVEMBER 2011
ANSWERS

1.

1) As this is an interest in possession trust created after 22 March 2006, it falls within the relevant property regime for IHT purposes and therefore the transfer by Beverley is a chargeable lifetime transfer.

	£	£
Amount transferred		500,000
Nil band	325,000	
Less: Transfers in previous 7 years	(45,000)	
		(280,000)
		220,000
IHT @ 20/80		55,000

2) The trust is a relevant property trust for IHT purposes, so the assets are not included in Angus' estate on his death.

2.

	No	Cost £	£
Sale proceeds 300 x £7.50			2,250
S.104 holding:			
1.9.19	150	675	
1.9.20	250	1,300	
	400	1,975	
Sale 31.1.21	(300)	(1,481)	
C/fwd	100	494	
			(1,481)
Chargeable gain			769
CGT @ 20%			154

3. The effect of the deed of variation is that the changes are 'read back' into the Will, i.e., the changes are effective from the date of death and as being made by Adrian, providing the deed contains a statement that the provisions of s.142 IHTA 1984 are to apply, and it is made within two years of the date of death, i.e., on or before 28 December 2022.

If the residue of Adrian's estate no longer passes to his widow, then the spouse exemption will be lost and therefore inheritance tax will become payable.

4. A deed of disclaimer is used to decline a legacy under a Will (or intestacy), with the original recipient 'stepping aside' so the legacy then passes to the next recipient under the Will (or intestacy). A disclaimer made by Colin would have a retrospective effect and would be 'read back' to the Will providing it contains a statement that the provisions of s.142 IHTA 1984 are to apply, it is made within two years of the date of death, (i.e., by 28 December 2022) and Colin has not benefitted from the property subject to the disclaimer.

In this case, Colin is not treated as making a transfer of value. Colin's legacy would pass with the residue of the estate.

5.

	£
Sale proceeds	9,000
Less: Costs of sale	(500)
Less: Base cost (probate value)	(2,000)
Gain	6,500
Restrict to: 5/3 x (9,000 – 6,000)	5,000
Tax lower gain	5,000
CGT @ 20%	1,000

6.

		£	£
Value of the trust at creation			275,000
Nil rate band		325,000	
Less: Settlor's previous CLTs		(350,000)	
			Nil
			275,000
IHT at 20%			55,000
Rate:	55,000/275,000 x 30% x 16/40		2.4%
Trustees pay tax so gross-up rate:	2.4/(100 – 2.4) x 100		2.459%
Exit charge:	50,000 x 2.459%		1,230

7. S.260 TCGA gives hold-over relief for transfers which are chargeable to IHT - i.e, additions to and distributions from relevant property trusts.

The transferee must be resident in the UK.

Hold-over relief must be jointly claimed by the transferor and transferee on a distribution from a trust. On an addition, only the transferor must sign.

Hold-over relief defers the chargeable gain on the disposal until the asset is disposed of by the transferee. This is achieved by the donee taking on the asset at the donor's base cost.

A settlement is 'settlor interested' if the settlor, their spouse, or their minor children can benefit from the settlement. Hold-over relief is not available on additions to a settlor interested settlement. However, hold over relief is available on distributions *from* a settlor interested settlement.

8.

1)

	£
MV at transfer: 4,000 x £12	48,000
Less Cost: 4,000 x £25	(100,000)
Loss	(52,000)

2) When a beneficiary becomes absolutely entitled to settled property, any 'allowable loss' is transferred to the beneficiary. An allowable loss is the loss after deducting any trustees' current year gains up to and including the date of disposal. The allowable loss can only be set against gains arising on the subsequent disposal of the same asset by the beneficiary.

9. Annual interest: £100,000 x 3% = £3,000 x ½ = £1,500 paid on each payment date.

Months accruing from 1 June 2020 – 1 November 2020 = 5 months.

Accrued income charge: £1,500 x 5/6 = £1,250.

The accrued income scheme does not apply where the nominal value of the securities held by an individual is less than £5,000.

(Alternative answer – The accrued income scheme does not apply when securities are transferred to the personal representatives at the date of death).

10. Residence is where a person actually lives.

Domicile is the country with which someone has the most lasting connection and affiliation, whether they currently live there or not.

11.

	£	£
Emma's estate:		625,000
Residence nil rate band		(175,000)
Less: Lifetime transfer	325,000	
(100,000 – 2 x AEs)	(94,000)	
Nil band remaining		(231,000)
Taxable		219,000
IHT @ 40%		87,600
Less: DTR (Note)		(16,819)
IHT payable		70,781

Note:

Estate rate: 87,600/625,000 x 100	14.016%

DTR = Lower of:

UK IHT on house at estate rate (£120,000 x 14.016%)	16,819
Overseas tax	30,000

12. A charge to IHT (a ‘recapture charge’) will arise on any of the following events:

    1) A failure by Charles to observe an undertaking to allow public access to the painting; or

    2) The death of Charles without new undertakings being given by the person to whom the property is transferred; or

    3) A gift of the property without new undertakings being given by the person to whom the property is transferred; or

    4) A sale of the property (except a sale to a museum or similar body).

PAPER 5
SHORT FORM QUESTIONS
TEST “3” – MAY 2012
(40 MARKS)

1. An individual may have only one domicile.

   Name and briefly explain the different types of domicile. (4)

2. The MacDonald Discretionary Trust was created on 1 June 2010 by Gladys MacDonald who, at that time, had made previous chargeable lifetime transfers of £100,000. The value of the trust on 1 June 2020 was £500,000 and the trustees made a capital distribution of £40,000 in 2013.

   The trustees have received £10,000 of income each year but have never distributed any of this income to the beneficiaries, nor accumulated the income to capital.

   Calculate the IHT payable by the trustees as a result of the 10 year anniversary on 1 June 2020. (4)

3. The Inheritance Tax rules for trusts changed with effect from 22 March 2006.

   1) Briefly explain the Inheritance Tax advantages of an accumulation and maintenance trust created before 22 March 2006. (2)

   2) Briefly explain what happened to existing accumulation and maintenance trusts after 22 March 2006. (2)

4. Alexander has made the following lifetime gifts:

25 March 2019	£265,000 to a discretionary trust
7 March 2021	Gifts of £200 to each of his 10 grandchildren

   Alexander’s only previous lifetime gift was a chargeable lifetime transfer of £280,000 on 3 March 2014.

   Calculate the Inheritance Tax payable (if any) by Alexander on the gifts in 2019 and 2021. (4)

5. The lex situs rules determine where assets are situated for IHT purposes.

   Give three examples of the lex situs rules. (3)

6. An individual will be within the charge to Income Tax on pre-owned assets in relation to land or chattels where the disposal or contribution condition is met.

   1) State the circumstances in which the disposal condition is met. (2)

   2) State the circumstances in which the contribution condition is met. (2)

7. Richard died on 5 June 2020. He made a chargeable lifetime transfer of £500,000 on 1 May 2016 and paid the Inheritance Tax of £43,750 that was due at the time.

   Calculate the additional tax due as a result of Richard's death. (3)

8. Melvin died on 14 February 2021 leaving an estate worth £900,000, including the family home valued at £550,000, to be split between his three children. Melvin's wife had died in December 2008 leaving £116,000 of her estate to the children with the balance going to Melvin. Neither Melvin nor his wife had made any lifetime transfers.

   Calculate the Inheritance Tax payable as a result of Melvin's death. (3)

9. Michael Miller died on 14 July 2020. He was the life tenant of an interest in possession settlement which was created in 2002. The trustees were gifted shares worth £100,000 in 2006 and following a claim to hold-over the gains arising on the gift, the trustees' base cost was £77,000. At the date of Michael's death, the shares were worth £150,000. They were transferred to his son as remainderman.

   Explain whether any Capital Gains Tax arises as a result of Michael's death and calculate the base cost of the shares acquired by Michael's son. (3)

10. Immediate post-death interest trusts (IPDIs) and interest in possession trusts created after 22 March 2006 by a settlor during his lifetime are treated differently for Inheritance Tax purposes.

    Compare the Inheritance Tax position on the death of the life tenant for both types of trusts. (4)

11. Trustees have a number of powers that assist them in administering trust property.

    Name and briefly explain the two main powers enjoyed by trustees. (4)

TEST "3" – MAY 2012
ANSWERS

1. A domicile of origin is acquired at birth and is usually the father's domicile.

   A domicile of dependence is acquired if the domicile of someone on whom an individual is dependent changes. For example, a child under 16 will automatically acquire a domicile of dependence if their father's domicile changes.

   A domicile of choice is acquired when an individual chooses to settle permanently in another country and breaks all ties with their original domicile.

   Deemed domicile – a person is deemed to be UK domiciled for IHT if they were UK domiciled within the three years immediately prior to the transfer, they are a "formerly domiciled resident" (ie born in the UK, with a UK domicile of origin and UK resident in the tax year), or they were UK resident for at least 15 of the last 20 tax years.

2.

	£	£
Value at 1 June 2020: £500,000 + £50,000 (Note)		550,000
Nil band	325,000	
Less: Settlor's transfers in 7 years before trust set up	(100,000)	
Less: Distributions in first 10 years	(40,000)	
		(185,000)
		365,000
IHT at 20%		73,000
Effective rate: 73,000/550,000 x 100		13.273%
Actual rate: 13.273% x 30%		3.9818%
Principal charge: £550,000 x 3.9818%		21,900

Note: Only undistributed income that has been in the trust for at least five years at the date of the principal charge is included in the current value of the trust, i.e, £50,000 (£10,000 x 5).

3.

a) The settlor made a PET on the creation of an A&M trust, there was no charge to IHT when the beneficiary received capital and the trust fund was not relevant property so there were no exit charges or 10 year charges.

b) Existing A&M trusts were given a transitional period from 22 March 2006 to 5 April 2008 to meet the conditions of an 18–25 trust, such that each beneficiary became entitled to capital by age 25 (or to comply with the revised A&M rules which required the beneficiary to receive capital at age 18). Any A&M trusts that did not meet either of the above options fell within the relevant property regime from 6 April 2008.

4.

	£	£
Gift (25 March 2019)		265,000
Less: 2 x AEs		(6,000)
CLT		259,000
Nil band	325,000	
Less: CLTs in previous 7 years	(280,000)	
		(45,000)
		214,000
IHT at 20/80		53,500
7 March 2021:		
Gift of £200 to each of ten grandchildren		Exempt
(Covered by small gifts exemption)		

5. Any **three** from:

Asset type	Situs rule
Land and buildings	The country in which they are located
Chattels	The country in which they are located
Shares in listed companies	The country where the shares are registered
Debts	The country where the debtor resides
Bank accounts	The country of the branch where the account is kept
Goodwill	The country where the business is carried on

6.

a) The disposal condition is met where:

- The individual owned the land or chattel concerned, or
- Owned other land or chattels the proceeds of which were used to acquire the land or chattel concerned,
- He disposed of the land or chattel (or other land or chattels), and
- The disposal was not by way of an excluded transaction.

b) The contribution condition is satisfied where:

- The individual provided consideration
- The consideration was not provided under an excluded transaction, and
- The consideration was used by another person to acquire the land or chattel.

7.

	£
CLT (1 May 2016)	500,000
Add: IHT paid by Richard	43,750
Gross chargeable transfer	543,750
Less: Nil band	(325,000)
Taxable	218,750
IHT at 40%	87,500
Less: Taper relief (4–5 years = 40%)	(35,000)
Less: Lifetime tax paid	(43,750)
Additional IHT due	8,750

8.

	£	£
Wife's chargeable estate		116,000
Less: Nil band 2008/09		(312,000)
Unused nil band		196,000
% unused: (196,000/312,000) x 100		63%
Melvin's estate		900,000
Less: Residence nil rate band		
– Own	175,000	
– Wife's b/fwd allowance	175,000	
		(350,000)
Less nil band: £325,000 x 163%		(529,750)
Taxable		20,250
IHT at 40%		8,100

9. The trustees are treated as disposing of the property to the son at market value.

There is a CGT free uplift in the base cost on death, however the held-over gain crystallises. It can be held-over again as there is an immediate charge to IHT.

	£
Value of gift in 2006	100,000
Less: Base cost	(77,000)
Held over gain	23,000
Value of trust at Michael's death	150,000
Less: Held over gain	(23,000)
Base cost of shares	127,000

10. An immediate post death interest (IPDI) can only be set up on death and is treated for IHT purposes as a qualifying IIP trust. This means that when the life tenant dies, the assets will form part of his chargeable estate for IHT purposes.

A lifetime IIP created after 22 March 2006 falls under the relevant property regime. This means that such a trust is not included in the estate of the life tenant. The death of the life tenant therefore has no effect for IHT purposes for the life tenant himself, but there could be an exit charge if assets leaving the trust on that occasion.

11.

a) Power of maintenance

The trustees may make payments out of the income of the trust for the maintenance, education or benefit of a minor beneficiary, to cover almost any expenditure of a non-capital nature.

b) Power of advancement

The trustees may apply the trust's capital to a beneficiary of any age who is entitled to a share in the capital of the trust, but before the time when they are actually entitled to call upon the trustees to pass ownership of the capital to them.

PAPER 5
SHORT FORM QUESTIONS
TEST "4" – MAY 2013
(40 MARKS)

1. **Explain the Inheritance Tax consequences for the donor in the following circumstances:**

   1) Making a Potentially Exempt Transfer. (1)

   2) Dying within seven years of making a Potentially Exempt Transfer. (2)

   Total (3)

2. Robbie died on 19 April 2020. He made his only chargeable lifetime transfer on 25 March 2014 when he gifted £620,000 into a trust and paid the Inheritance Tax due at that time of £72,250.

   Calculate any additional Inheritance Tax due on this transfer as a result of Robbie's death. (3)

3.

   1) Explain the difference between the concepts of residence and domicile. (2)

   2) What effect does an individual's domicile status have on their liability to UK Inheritance Tax? (1)

   Total (3)

4. **Explain when a body of trustees will be treated as UK resident for income tax purposes.** (2)

5. The Barlow Family Accumulation & Maintenance Trust was established on 10 December 2000 with cash of £200,000. The settlor's only previous chargeable transfer had been £95,000 to a relevant property trust in June 1998.

   On 1 June 2018, the Trustees distributed £25,000 to a beneficiary. This gave rise to an IHT exit charge. The beneficiary paid the tax on the exit.

   On 10 December 2020 the trust assets consisted of cash of £130,000 and a quoted share portfolio worth £320,000.

   Calculate the Inheritance Tax payable by the trustees in respect of the 10 year charge in December 2020. (4)

6. Elliott gifted £400,000 cash to a discretionary settlement on 25 November 2020.

   1) State the deadline for submission of the necessary Inheritance Tax return to HM Revenue & Customs.

   2) State the due date for the Inheritance Tax payable. (2)

7.

1) **Explain when and why the related property rules apply.** (2)

2) **Briefly explain how they affect the valuation of gifts for Inheritance Tax Purposes.** (1)

Total (3)

8. Anthony owned 70,000 shares in Spirit Ltd. His son Kyle owned the remaining 30,000 issued shares. On 21 October 2020 Anthony gifted 30,000 of his shares to his daughter Lola.

Values of shares are as follows:

100% holding	£3.50 per share
70% holding	£3.25 per share
40% holding	£2.50 per share
30% holding	£2.40 per share

Calculate the value of the gift made by Anthony for Inheritance Tax purposes. (2)

9. On 10 March 2020 Patrick transferred 2,000 shares in Piggybank plc to a new discretionary trust. The market value of the shares at that time was £150,000. He had bought 1,250 Piggybank plc shares on 5 April 2001 for £70,000 and a further 1,750 shares on 20 October 2017 for £170,000.

1) **Calculate the capital gain or allowable loss arising on the transfer of the shares into the trust.** (2)

2) **Explain the treatment of any capital loss arising on a subsequent transfer of the shares to a beneficiary.** (2)

Total (4)

10. **State the penalties which could be payable in respect of an Inheritance Tax return if it is found to contain a deliberate error.** (4)

11. **Explain when Inheritance Tax exit charges do and do not apply to distributions from a discretionary trust.** (4)

12. Rachel gifted some unquoted shares to her son. The shares qualified for Business Property Relief at that time. Rachel died within seven years of making the gift.

Explain why Business Property Relief may not be available in full when calculating the Inheritance Tax payable upon Rachel’s death. (3)

13. A trust is only valid if it has been created with three certainties.

State and explain these three certainties. (3)

TEST "4" – MAY 2013
ANSWERS

Tutorial Note:

When this SFQ test was set, the ATT published marking guides with their model answers and so the marks have been included here. Please note that the other SFQ tests and some of long questions in this bank were also set before the ATT agreed to publish their marking guides.

1. At the time of the gift, it is treated as exempt so no IHT to pay. *[½]*

   Annual exemptions are still allocated. *[½]*

   The PET becomes chargeable to IHT if the donor dies within seven years of the gift. *[½]*

   The donor's nil rate band is allocated in chronological order to all the chargeable gifts made in the seven years prior to death. *[½]*

   The value of the gift at the time it was made is used in the calculations. *[½]*

   IHT at 40% is payable if the value of the failed PET exceeds the available nil band, having considered earlier lifetime transfers chargeable at the donor's death. *[½]*

   Taper relief reduces the tax payable based on the length of time between gift and death. *[½]*

   The failed PET will affect how much of the nil band (if any) is available to set against the death estate. *[½]*

   Max 3

2.

	£	£	
Chargeable lifetime transfer (620,000 – 6,000)		614,000	
IHT paid		72,250	*[½]*
Loss to donor		686,250	
Less: Nil band	325,000		
Less: Previous CLTs	(Nil)		*[½]*
Nil band remaining		(325,000)	
		361,250	
IHT @ 40%		144,500	*[½]*
Less: Taper relief (6 - 7 years = 80%)		(115,600)	*[½]*
		28,900	
Less: Lifetime tax paid (restricted)		(28,900)	*[½]*
		Nil	

No further IHT is payable. The balance of lifetime tax cannot be reclaimed *[½]*.

Total 3

3. Residence is where a person actually lives and can relate to more than one country at the same time. *[1]*

   Domicile is the one country with which someone has the most lasting connection and affiliation whether they currently live there or not. *[1]*

   An individual who is UK domiciled or deemed domiciled is liable to UK IHT on their worldwide assets. *[½]*

   An individual who is not UK domiciled is only liable to UK IHT on assets situated in the UK. *[½]*

   Total 3

4.
   1) If all trustees are UK resident. *[1]*

   2) If at least one trustee is resident in the UK and the settlor was resident or domiciled in the UK when he made the settlement. *[1]*

   Total 2

5.

	£	£	
Value of trust fund:			
Cash	130,000		
Shares	320,000		
		450,000	*[½]*
Nil band at exit	325,000		*[½]*
Less: CTs in 7 years before trust created	(95,000)		*[½]*
Less: Trust distributions in last 10 years	(25,000)		*[½]*
		(205,000)	
		245,000	
@ 20%		49,000	*[½]*
Effective rate: 49,000 / 450,000 x 100		10.889%	*[½]*
Actual rate: 10.889% x 30%		3.2667%	*[½]*
Tax payable 3.2667% x £450,000		14,700	*[½]*

Total 4

6. The deadline for submission of the return is within twelve months of the end of the month of transfer, ie 30 November 2021. *[1]*

   The due date of payment is six months after the end of the month of the transfer, ie 31 May 2021. *[1]*

   Total 2

7. Property is related to property in a person's estate when:

- It is in the estate of that person's spouse or civil partner. *[½]*
- Within the previous five years, the property has been owned by a charity having been donated by either the donor or their spouse/civil partner *[1]*

The related property rules prevent the reduction in the value of property by the fragmentation of ownership. *[½]*

To value the asset when the related property rules apply, take the appropriate portion of the total value of all the related property. *[½]*

Only use this method if it results in a higher value than using the normal method. *[½]*

Total 3

8.

		£	
Value before transfer:	70,000 x £3.25	227,500	*[1]*
Value after transfer:	40,000 x £2.50	(100,000)	*[1]*
Transfer of value		127,500	

Total 2

9.

1) Gain / (loss)

	£	
Market value	150,000	*[½]*
Less: Cost (W)	(160,000)	*[½]*
Loss	(10,000)	

Working:		£	
April 2002	1,250	70,000	
October 2018	1,750	170,000	
	3,000	240,000	*[1]*
Disposal	(2,000)	(160,000)	

2) Treatment of capital loss

The loss is set against any trustees' current year gains on disposals made before the appointment (known as pre-entitlement gains). *[½]*

The loss is offset in priority to other losses available to the trustees. *[½]*

Thereafter, any excess loss may be passed out to the beneficiary. *[½]*

Beneficiary can only set the loss against any future gain arising on those shares. *[½]*

Total 4

10.

- Error in return was due to deliberate conduct but was not concealed. Penalty is 70% of potential lost revenue. *[1]*

- Penalty can be reduced to 20% for unprompted disclosure or 35% for prompted disclosure. *[1]*

- Penalty for deliberate understatement with concealment is 100% of lost revenue. *[1]*

- Penalty can be reduced to 30% for unprompted disclosure or 50% for prompted disclosure. *[1]*

Total 4

11. An exit charge usually arises when capital leaves the trust *[½]*, e.g. absolute distribution of capital to a beneficiary. *[½]*

An exit charge does not arise when:

- Trustees make income distributions *[½]* or use capital to pay capital costs. *[½]*

- Capital leaves the trust within three months of the trust being set up *[½]* or within three months of a ten year anniversary. *[½]*

- Capital is distributed from a Will trust to a beneficiary within two years following the death on which the trust was created. *[1]*

Total 4

12. Her son may no longer own the shares and has not replaced them with other qualifying property. *[1]* Partial relief is available where some of the shares are retained. *[1]*

The shares may no longer qualify for BPR. For example, the shares might have become quoted on a recognised stock exchange. *[1]*

There may be a binding contract for the sale of the shares at the date of death. *[1]*

Max 3

13. Certainty of intention – The words used by the settlor must clearly indicate that the property be held on trust and show that a trust was intended. *[1]*

Certainty of subject matter – The property that is to become the trust property must be identified precisely. *[1]*

Certainty of objects (beneficiaries) - These must be clearly identified or the settlor must provide the means of identifying the persons whom the trustees are to regard as the beneficiaries. *[1]*

Total 3

PAPER 5
LONG QUESTIONS

1. Elliot died on 8 December 2020.

During his lifetime, he had made a gift of £90,000 in cash to his daughter on 10 July 2017.

Elliot's death estate was valued as follows:

	£
House	700,000
Quoted shares:	
10,000 A plc, quoted at 310 – 318, bargains at 308, 312, 314	
15,000 B plc, quoted at 280 – 284, bargains at 282, 284	
Unquoted shares:	
10,000 C Ltd, acquired 2003	250,000
Personal chattels	40,000
Cash at bank	25,000

C Ltd is a manufacturing company. At the date of Elliot's death it had net assets of £1.25m of which £150,000 was in respect of land held as an investment.

Elliot's funeral expenses (including the cost of a tombstone) were £5,000. He had unpaid credit card bills of £1,500 and outstanding income tax of £2,000.

Elliot left his entire estate to his son, Walter, who was also the sole executor of Elliot's Will.

Elliot's wife had died on 12 May 2004. She left £50,000 to each of her son and daughter. The residue of her estate was left to Elliot.

Requirements:

1) **Calculate the IHT payable as a result of Elliot's death; and** (12)

2) **Explain what Walter must do to account for the IHT payable. Ignore the availability of the instalment option if relevant.** (3)

Total (15)

2. Jim Young died on 9 June 2011 leaving his entire estate on discretionary trust for his children. He had made no lifetime gifts.

His death estate was as follows:

	£
Private residence	300,000
Cash and quoted shares	300,000
Personal chattels	53,000

You have received a telephone call from one of the trustees asking for advice.

As the beneficiaries are all mature adults, the trustees are considering winding up the trust and distributing the assets. The assets currently consist of cash and quoted shares worth £1,225,000, which includes £25,000 of undistributed income from 2020. No capital distributions have ever been made.

The trustees want advice on the IHT consequences of breaking the trust and whether the capital should be distributed now or after 9 June 2021. It is now 1 May 2021.

Requirement:

Write a letter to the trustees in response to their query. (15)

3. John James is a director of a computer software company. He is an additional rate taxpayer.

On 1 April 2006 he set up a trust for his children by transferring into the trust some cash and a residential investment property. He had inherited the property from his late father's estate on 21 December 2003 when it was valued at £130,000. The property was worth £160,000 when it was transferred into the trust. This was John's only lifetime transfer.

The beneficiaries of the trust are Laura (born 29.9.96) and Richard (born 24.11.03). Laura is a school-teacher. Richard is at college. The terms of the trust are that the beneficiaries receive a right to trust income at the age of 18, and to trust capital at 25.

The income and expenses of the trust for 2020/21 were as follows:

	£
Rental income (net of expenses)	8,000
Interest received (net)	1,500
Dividends	1,500
Trust administration expenses	(450)

The trustees paid £6,600 in college fees for Richard during the year.

The balance brought forward on the tax pool at 6 April 2020 is £3,200.

The investment property was sold on 4 April 2021 for £250,000.

Requirements:

1) **Calculate the tax payable by the trustees for 2020/21;** (12)

2) **Explain the Income Tax consequences for Richard of the distribution from the trust;** (2)

3) **Explain the inheritance tax treatment of a capital distribution to Laura on attaining 25 and how any charges will be calculated.** (6)

Total (20)

4. Paul Darko is non-UK domiciled. He is single and has lived in the UK since May 2007.

He has become wealthy over the years and now feels that an Inheritance Tax review is now required. His assets currently consist of the following:

A holiday home near his family in Utopia	£80,000
An offshore bank account in Utopia	£64,050
A reversionary interest in a UK trust. This trust was set up by Paul's grandfather. The life interest was given to Paul's father. The capital will pass to Paul on his father's death.	The capital assets are currently worth £200,000. The reversionary interest is currently valued at £50,000.
305 quoted shares in Zebra-3 Plc, a UK trading company.	The shares are quoted between £10.08 and £10.56.
1,500 unquoted shares in Huggy Ltd, a UK trading company	£725,000
A property currently let in the UK	£235,000
His home in the UK	£460,000
A UK bank account – an ISA	£1,480

Paul has previously made the following lifetime gifts:

	Date of gift	£
300 shares in Huggy Ltd to his brother, Nick, who has since sold these shares.	27 August 2015	93,000
£4,000 in cash to each of his three godchildren	16 May 2016	12,000
A transfer of 500 shares in Huggy Ltd into a discretionary trust. (No Inheritance Tax was previously paid in relation to this transfer).	9 November 2018	230,000
£1,500 to his friend David, when he got married	9 May 2020	1,500

Paul is currently thinking about returning to Utopia to look after his frail mother. Alternatively, he may decide to stay in the UK and make regular trips to Utopia. He would like to know if this will affect his Inheritance Tax position in any way.

Requirement:

1) Calculate Paul's Inheritance Tax liability assuming he dies today (you can assume that today's date is 27 June 2021). (11)

2) Explain the effects that:

a) Staying in the UK; and

b) Leaving the UK will have on Paul's Inheritance Tax position. (4)

Total (15)

5. You have received the following letter, on 1 May 2021, from Mr Ross, a long-standing client.

"I have recently been diagnosed with a serious illness. I am responding well to treatment, but the prognosis is not good. I could be dead within six months or I could live for another ten years. I own the following assets:

1) Home – £1,000,000. I have lived here since I bought the house in 1991.

2) Contents – worth £70,000 (insured value £120,000).

3) A 3% shareholding in an unquoted trading company worth £300,000. I bought a 2% holding in March 2019 for £120,000 and a further 1% holding in September 2020 for £80,000.

4) Premium Bonds – £30,000.

5) Bank accounts – £105,491.

6) ISA accounts – £15,000.

7) Painting – £1.25 million.

I have a pension of around £60,000 gross per annum and I do not spend all of that.

The painting is by a noted artist and shows the Duke of Wellington's victory at Waterloo. This is a family heirloom and is, I'm told, an item of great national interest. I could never give this away.

My wife died several years ago leaving her estate to me. With the exception of a legacy of £200,000 to charity, my estate will go to my nephew who is entering into a civil partnership in a few weeks.

So far I have not undertaken any IHT planning, nor made any gifts, so I would be grateful if you could advise me of the tax issues."

Requirement:

Write a letter to Mr Ross dealing with the following points:

1) Calculate the Inheritance Tax payable if Mr Ross dies tomorrow. (6)

2) Explain the Inheritance Tax consequences of Mr Ross giving away his assets (excluding the painting). Your answer should include any Inheritance Tax exemptions that Mr Ross could utilise. (7)

3) Explain the Capital Gains Tax consequences of Mr Ross giving away his assets (excluding the painting). (4)

4) Explain whether the painting qualifies for any specific Inheritance Tax exemption and, if so, outline the conditions that need to be satisfied. (3)

Your answers should use the rates and allowances for 2020/21.

Total (20)

6. Executors have been administering the estate of Mrs Walker, who died on 29 July 2020. Mrs Walker left her estate to her two children, Luke and Leia. The estate comprised the following assets:

	Probate value
	£
A house, 'Hillside', which Mrs Walker occupied until her death	540,000
1,800 quoted shares in Trilogy plc	50,300
500 quoted shares in DV plc which were held within an ISA	6,000
Cash ISA	2,490
£23,000 2% Treasury stock	15,110
A commercial let property 'The Star'	220,000

Since Mrs Walker's death there has been some uncertainty about the validity of her Will and therefore the executors have not yet been able to distribute any of the assets of the estate.

The executors received the following income during the year ended 5 April 2021:

	£
Dividends from the Trilogy plc shares	4,425
Dividends from the DV plc shares, held within the ISA	2,228
Interest from £23,000 2% Treasury stock	
- Paid 30 September 2020	230
- Paid 31 March 2021	230
Rental income from 'The Star'	
- £4,500 gross per month	
- Allowable expenses totalling £5,550	
Interest received from the cash ISA	160

Requirements:

1) Calculate the Income Tax payable by the executors for 2020/21. (5)

2) State four conditions for a Will to be valid. (4)

3) State the primary duties of an executor. (4)

The validity of the Will was confirmed on 15 February 2022 and the executors sold the following assets to enable them to distribute the estate between the beneficiaries:

1) The Treasury stock was sold on 31 March 2022 for £15,500.

2) 'The Star' was sold on 10 March 2022 for £199,000 with costs of sale of £3,800.

3) The shares in Trilogy plc were sold on 27 February 2022 for £42,000.

4) The DV plc shares held within the ISA were sold on 1 March 2022 for £10,688.

'Hillside' was transferred to the children, Luke and Leia, in equal shares on 31 March 2022. The value of the property at the time of the transfer was £600,000.

The executors completed their administration of the estate on 31 March 2022 but have not yet paid out any of the income accumulated during the period of administration.

Requirements:

4) Explain whether any reliefs are available for Inheritance Tax purposes, in view of the reduction in the value of some of the assets since the date of Mrs Walker's death. If applicable, you should calculate the amount of relief available. (5)

5) State the value for Capital Gains Tax purposes at which Luke and Leia acquired the remaining property 'Hillside' when this was transferred to them on 31 March 2022. (1)

6) Explain when the beneficiaries will be taxed on the income accumulated during the period of administration. (1)

Total (20)

7. Mary Lamb died in June 2020. Her executors are currently administering her estate, which received the following income in 2020/21:

	£
Rental income from The Schoolhouse	15,000
Interest received on Mary's ISA	10,000
Dividend income	6,000

The Schoolhouse is a residential rental property owned by Mary. The executors paid expenses in connection with that property as follows:

	£
Replacement guttering	500
Legal costs in relation to the sale	5,000

The Schoolhouse was sold on 31 March 2021 for £405,000 after an upturn in the local property market. Its probate value was only £350,000.

Mary's adult son, Larry, is the sole beneficiary of the estate and the executors paid all of the estate income to him on 5 April 2021. Larry is a higher rate taxpayer with no investment income.

Requirements:

1) **Explain the treatment of the interest arising on Mary's ISA.** (2)

2) **Calculate the Income Tax payable by Mary's executors for 2020/21.** (3)

3) **Calculate the Income Tax payable by Larry on the estate income received by him in 2020/21.** (3)

4) **Calculate the Capital Gains Tax payable by Mary's executors as a result of the sale of The Schoolhouse.** (2)

5) **State the due dates for the submission of the estate tax return for 2020/21 and for the payment of any Income Tax and Capital Gains Tax due.** (2)

6) **Outline the consequences of submitting the estate tax return and paying the tax four months late.** (4)

7) **State two of the responsibilities of a member of the Association of Taxation Technicians in connection with the preparation of tax returns/tax filings for a client.** (2)

Total (18)

8. The Button Discretionary Trust was created by Mr Button eight years ago with 1,000 shares in Hilltops Ltd, an unlisted company which manufactures and sells widgets. The company now owns the premises that it trades from along with several investment properties. The Trust also owns a separate piece of land.

The trustees are considering making a distribution of 500 shares in Hilltops Ltd to one of the beneficiaries and distributing the land to another beneficiary. The trustees had purchased this land for £200,000 a number of years ago. Its current market value is £180,000.

Mr Button would like to create another trust with a life interest for his adult daughter to provide her with a regular income. He is, however, concerned that his daughter is very irresponsible and may attempt to dispose of the life interest in exchange for cash.

Requirements:

1) **Explain the conditions which must be met in order for the trustees to qualify for Business Property Relief on the distribution of shares in Hilltops Ltd.** (2)

2) **Explain what effect the properties owned by Hilltops Ltd could have on the extent of Business Property Relief available to the trustees.** (3)

3) **State the conditions required for trustees to qualify for Business Asset Disposal relief on a disposal of shares and then explain whether the trustees of the Button Discretionary Trust would qualify for Business Asset Disposal relief on the disposal of their shares in Hilltops Ltd.** (3)

4) **Explain the Capital Gains Tax implications if the trustees transfer the piece of land to a beneficiary.** (3)

5) **Explain how a protective trust could be used by Mr Button to provide for his daughter.** (3)

Total (14)

9. Jack, a non-UK domiciled individual, died on 20 November 2020. He came to the UK 10 years ago. He had lived with Rose ever since arriving in the UK, but they never married.

Jack had made the following gifts during his lifetime:

	Date of gift	Value at gift £	Value at Jack's death £
A necklace to a friend, Cal	15 April 2017	100,000	150,000
A half share of his sole trader business to a friend, Fabrizio. (Fabrizio sold his share to Rose following an argument with Jack).	31 May 2019	539,000	780,000
£500,000 cash to a discretionary trust (Trustees paid the tax).	1 August 2019	500,000	510,000

At the time of Jack's death, he had the following assets and liabilities, which he left to Rose:

	£
A house, his UK residence	475,000
An overseas property	159,000
- Expenses of £20,000 were incurred overseas	
- No overseas tax was paid in relation to Jack's death	
A UK bank account	30,800
An overseas bank account	50,600
Cash and other chattels, held at the UK home	7,540

Requirements:

1) Explain the four types of domicile. (6)

2) Calculate the lifetime IHT payable in respect of Jack's gifts. (4)

3) Calculate any additional IHT that will be payable on the lifetime gifts as a result of Jack's death. (4)

4) Calculate the IHT due on the death estate. (3)

5) State the due date for the IHT account in relation to Jack's death to be submitted to HMRC. (1)

6) State the due date for the IHT liability payable on Jack's death and the consequences of not paying this tax by the due date. (2)

Total (20)

NOVEMBER 2009

10. Kate made a substantial gift to a discretionary trust in March 2012 which was invested by the trustees shortly thereafter.

Income has arisen to the trustees since the investments were made, much of which has been distributed to various beneficiaries over the years. The trustees have a tax pool of £1,856 as at 6 April 2020 and have income arising during 2020/21 as follows:

	£
Dividends received	9,111
Interest received	5,000

The trustees have decided to pay £50,000 capital to Austin, who is a beneficiary of the trust and a higher rate taxpayer. In order to raise the necessary funds, the trustees sold 7,850 British Oil plc shares on 31 October 2020 for £6.37 per share. The shares were originally purchased on 10 March 2012 at £2.50 per share. The trustees have brought forward capital losses of £3,000.

Lloyd, another beneficiary of the trust, has asked for £10,000 to help fund his first year at university. The trustees have considered this and have decided to make an income distribution to Lloyd of £11,000 (net).

Requirements:

1) **Calculate the Capital Gains Tax arising from the trustees' sale of 7,850 British Oil plc shares.** (4)

2) **Calculate, showing all your workings, the Capital Gains Tax that would have been payable by Austin, assuming the trustees had instead gifted the shares to him and he had made the disposal. (You should assume that a capital gains hold-over relief claim was jointly made by the trustees and Austin.)** (3)

3) **Calculate the additional Income Tax payable by the trustees in respect of the £11,000 (net) income distribution to Lloyd.** (4)

4) **Give four examples of trustees' duties.** (4)

Total (15)

MAY 2012

PAPER 5
ANSWERS TO LONG QUESTIONS

1. ELLIOT

1) IHT on death

Lifetime gift:

		£
Gift (10 July 2017)		90,000
Less: AEs (x 2)		(6,000)
PET now chargeable on death (within nil rate band)		84,000

Death estate – 8 December 2020:

	£	£
House		700,000
A plc shares (W1)		31,100
B plc shares (W2)		42,150
C Ltd shares	250,000	
Less: BPR		
£250,000 x 100% x 1.25 – 0.15/1.25 (excluded assets)	(220,000)	30,000
Personal chattels		40,000
Cash at bank		25,000
		868,250
Less: Liabilities		
Funeral expenses	5,000	
Credit card bills	1,500	
Income tax	2,000	
		(8,500)
Chargeable estate		859,750
Less: Residence nil rate band (W3)		(350,000)
Nil rate band at death (W4)	526,435	
Less: Transfers in previous 7 years	(84,000)	
Nil rate band available		(442,435)
Taxable estate		67,315
IHT @ 40%		26,926

Workings

W1) A plc shares:

(i)	(318 – 310) / 4 = 2 + 310	=	312p
or			
(ii)	(314 + 308) / 2	=	311p

Take lower
IHT value = 10,000 x 311p = £31,100

W2) B plc shares:

(i)	(284 – 280) / 4= 1 + 280	=	281p
or			
(ii)	(284 + 282) / 2	=	283p

Take lower
IHT value = 15,000 x 281p = £42,150

W3) RNRB

	£
Own RNRB	175,000
Add: Wife's b/fwd allowance (death pre-6.4.17)	175,000
	350,000

W4) Nil band

	£
Wife's chargeable estate	100,000
Less: Nil band (12 May 2004)	(263,000)
Unused	163,000
% unused = 155,000/263,000	61.98%
Elliot's nil rate band: £325,000 x 161.98%	526,435

2)

Walter must submit an IHT account of the death estate and pay the IHT due before he can obtain the grant of probate. He will therefore wish to do this as soon as possible.

The latest date for submission of the IHT account is 31 December 2021.

He should pay the IHT due by 30 June 2021 to avoid a charge to interest.

2. JIM YOUNG TRUST

Firm's headed notepaper

Your address

Date

Dear Trustees

<u>JIM YOUNG DISCRETIONARY TRUST</u>

Thank you for your query.

If you make a capital appointment to one or more of the beneficiaries an IHT exit charge will arise.

If the capital is appointed in May 2021 and the trust is wound up, the IHT payable will be £26,472 (as per Appendix 1 attached).

There would then be no principal charge on the ten-year anniversary on 9 June 2021 as the trust would no longer exist.

If you delay the capital appointments until after 9 June 2021, the trustees will have an IHT principal charge. The tax liability will be £52,500 (as per Appendix 2).

If capital is appointed before 9 September 2021 (ie, within three months of the principal charge), there will be no tax liability on the appointment.

As you will see, the IHT liability on the exit charge is significantly lower than that which will arise on the trust's ten-year anniversary.

Therefore, assuming there are no other obstructions to an early capital appointment, I would advise you to make the appointments before 9 June 2021.

Yours sincerely

A. Adviser

APPENDIX 1

Tax on death estate:	£
Estate	653,000
Less: Nil band 2011/12	(325,000)
Taxable estate	328,000
IHT @ 40% (paid by trustees)	131,200
Exit charge May 2021:	£
Initial value of trust (653,000 – 131,200)	521,800
Less: Nil band 2021/22	(325,000)
	196,800
Notional tax @ 20%	39,360
Effective rate: 39,360 / 521,800 x 100	7.543%
Actual rate: 7.543% x 30% x 39/40	2.206%
Exit charge: £1.2m x 2.206% (Note)	26,472

Note: The 25,000 of undistributed income can be paid out as income and would not be liable to the IHT exit charge.

APPENDIX 2

Principal charge 9 June 2021:	£
Value at 9.6.21 (Note)	1,200,000
Less: Nil rate and 2021/22	(325,000)
	875,000
Notional tax @ 20%	175,000
Effective rate: 175,000 / 1,200.000 x 100	14.583%
Actual rate: 14.583% x 30%	4.375%
Principal charge: £1.2m x 4.375%	52,500

Note: Undistributed income is only included in the current value of the trust property if it arose more than five years before the ten year charge date.

3. JOHN JAMES

1) Calculation of tax payable by trustees

The trust is a 'mixed' trust as Laura has an IIP, having already reached age 18, and Richard does not. This means that 50% of the trust income is taxed under the IIP rules and 50% under the discretionary rules.

	NS	Interest	Divs
	£	£	£
Rental income	8,000		
Interest		1,500	
Dividends			1,500
	8,000	1,500	1,500
Less: Income subject to IIP	(4,000)	(750)	(750)
	4,000	750	750
Less: Expenses (450 x 100/92.5 x ½)			(243)
	4,000	750	507
Tax:			
1,000 @ 20%			200
3,000 @ 45%			1,350
750 @ 45%			337
507 @ 38.1%			193
243 @ 7.5%			18
			2,098
Add: Liability on tax pool (W1)			120
			2,218
Add: Tax on income subject to IIP (W2)			1,006
Income tax due 2020/21			3,224
Add: CGT payable (W3)			23,478
Total tax payable			26,702

Workings

W1) Tax pool

		£
B/fwd		3,200
Tax paid by trustees:	1,000 @ 20%	200
	(3,000 + 750) @ 45%	1,687
	507 @ 38.1%	193
		5,280
Less: Tax credits given on distributions: 45/55 x £6,600		(5,400)
Additional tax due		(120)

W2) Tax on IIP income

		£
Tax on NS and interest:	4,750 @ 20%	950
Tax on dividends:	750 @ 7.5%	56
		1,006

W3) Capital gain on sale of the investment property

The trust was originally an A&M trust so the transfer into the trust was a PET (no gift relief available under s.260). The property is not a business asset under s.165, therefore John would have had a gain on the creation of the trust and the trustees would have acquired the property on 1.4.06 at its MV (£160,000).

	£
Proceeds (4.4.21)	250,000
Trustees' base cost (1.4.06)	(160,000)
Gain	90,000
Less: Trust AEA	(6,150)
Taxable	83,850
CGT @ 28% (residential property)	23,478

2) Income tax consequences for Richard

The trust income applied for the benefit of Richard is deemed to carry a 45% tax credit. The trustees will therefore prepare form R185 as follows:

	Net	Tax
	£	£
Trust income	6,600	5,400

Richard is under 18, so is a minor unmarried child of the settlor. Therefore any income paid to or applied for Richard in excess of £100 gross per year will be taxed on John as settlor under s.629 ITTOIA 2005. John will not have any extra tax to pay on the income.

3) Inheritance tax treatment

As the beneficiaries are entitled to capital at age 25, the trust would have become an 'Age 18 to 25' trust from 6 April 2008.

When Laura turns 25 in September 2021, she will become entitled to receive her share of the capital and the transfer of assets to her will give rise to an IHT exit charge.

The rate of tax to apply to calculate the exit charge is found by taking the initial value of the trust property and deducting the nil rate band at the date of the exit. The balance is taxed at 20%. This liability is divided by the initial value to arrive at the 'effective rate' of tax.

The actual rate of tax is calculated by multiplying the effective rate of tax by 30%, then adjusting the resulting percentage for the number of complete quarters since 29 September 2014 (being Laura's 18th birthday).

The actual rate is then applied to the value of the transfer.

Note that there are no ten-year charges on 'Age 18 to 25' trusts.

4. PAUL DARKO

1) Paul's 2021/22 inheritance tax position:

Additional tax on lifetime gifts:

	£
Shares (August 2015) - No BPR as shares sold	93,000
Less: AEs 2015/16 & 2014/15	(6,000)
PET chargeable on death	87,000
Covered by nil band so no tax due.	Nil
Gifts to god-children (May 2016)	12,000
Less: AE 2016/17 (2015/16 used)	(3,000)
PET chargeable on death	9,000
Covered by nil band so no tax due.	
Shares (9 November 2018):	
CLT of shares into a discretionary trust	230,000
Less: BPR @ 100%	(230,000)
	Nil
Cash (9 May 2020)	1,500
Less: Marriage exemption	(1,000)
Less: AE 2020/21	(500)
	Nil
Nil band remaining on death: £(325,000 – 87,000 – 9,000)	229,000

Death estate:

		£
Holiday home in Utopia	Excluded property	Nil
Bank account in Utopia	Excluded property	Nil
Reversionary interest in a trust	Excluded property	Nil
Quoted shares in Zebra-3 Plc	305 x £10.20 (1/4 up)	3,111
1,500 shares in Huggy Ltd	Covered by 100% BPR	Nil
UK property		235,000
UK home		460,000
UK bank account		1,480
Total		699,591
Less: Remaining nil band		(229,000)
Taxable		470,591
IHT @ 40%		188,236

2)

Once Paul is UK resident for 15 out of the previous 20 tax years, he is deemed to be UK domiciled for IHT purposes and his worldwide assets become chargeable to IHT.

2021/22 will be his 15th consecutive year of UK residence so he will become deemed UK domiciled from 6 April 2022.

If he dies after this date his IHT liability will increase by (80,000 + 64,050) x 40% = £57,620.

However, if he returns to Utopia before 6 April 2022 and does not become UK domiciled under the "15/20 rule", IHT will continue to be charged on UK assets only.

5. MR ROSS

Address

Address

Date

Dear Mr Ross,

YOUR IHT POSITION

Thank you for your recent letter.

IHT – Death computation

I have attached this as an Appendix. The tax payable is £619,377.

IHT – Lifetime giving

If gifts were made to individuals during your lifetime, these would be potentially exempt transfers (PETs) and no tax would be payable in your lifetime. However, you would need to survive seven years for the gifts to fall out of account altogether. You would need to survive three years from the date of gift in order for any IHT payable to be reduced by taper relief.

As you have never made any gifts before, there are a number of exemptions that could be used, as follows:

- Annual exemptions of £3,000 for both the current and the previous year.
- You have a large pension income, therefore you may be able to make gifts out of income which would be exempt. These must be regular, made out of income and must not reduce your standard of living from year to year.
- You can give £250 per person, to any number of recipients, in a year, using the small gifts exemption.
- As your nephew is entering a civil partnership shortly, an IHT exempt gift of up to £1,000 may be made to him under the "marriage" exemption.

Please be aware that if you were to gift your house but continue to live in the house afterwards, the gift would be ineffective because of the reservation of benefit rules.

Lifetime giving – CGT

When chargeable assets are gifted, the gain will be calculated by reference to the market value at the date of gift.

A gift of the home would be exempt for CGT as your principal private residence.

Most of the assets within the home will benefit from the chattels exemption.

A gift of the shares would result in a gain of £100,000. As the shares are business assets, this transfer would be eligible for gift relief. This means that the gain would not be chargeable on you, but your nephew would inherit the base cost of your shares (being £200,000). Both donor and donee must sign the gift relief claim within four years from the end of the tax year in which the gift was made.

The Premium bonds, ISA and bank accounts can all be gifted without any CGT arising, though any capital in the ISA will lose its CGT exemption if gifted.

Possible exemption for Work of Art

The painting should, on a claim, qualify for exemption from IHT as "Heritage Property" because of its artistic and historical significance. Conditions must be in place for the exemption to apply:

- The painting must be kept permanently in the UK; and
- Reasonable access must be given to the public, either at the home, or in a museum, gallery or other public place.

If you have any further questions on this matter, please do not hesitate to contact me.

Yours sincerely

A Tax Adviser

APPENDIX

IHT payable on Mr Ross's death

	£	£
House		1,000,000
Contents		70,000
Shares	300,000	
Less: BPR on 2% holding only		
£300,000 x 100% x 2/3	(200,000)	
		100,000
Bank account		105,491
Premium Bonds		30,000
ISA		15,000
Work of art		1,250,000
		2,570,491
Less: Legacy to charity (exempt)		(200,000)
Chargeable estate		2,370,491
Nil rate band (325,000 x 2)		(650,000)
		1,720,491
@ 36%		619,377

Notes:

The nil rate band can be doubled to £650,000 as your wife's nil rate band was unused on her death.

As more than 10% of the "baseline amount" has been left to charity, the IHT rate is reduced to the lower rate of 36%. In this case the baseline amount is £1,920,491 (ie £1,720,491 + £200,000 legacy to charity), so the donated amount of £200,000 exceeds 10% of this threshold.

The residence nil rate band is not available as your main residence is being left to your nephew and not to a direct descendant. In any case, the net estate (ie before reliefs and exemptions) exceeds £2 million, so any available RNRB would be subject to tapering.

6. MRS WALKER

1) Executors Income Tax computation for 2020/21

	Non Savings	Interest	Dividends
	£	£	£
Rental income (W1)	30,450		
Treasury stock interest		460	
ISA interest (W2)		Nil	
Dividends			4,425
ISA dividends (W2)			Nil
Total gross income	30,450	460	4,425
Tax @ 20% / 20% / 7.5%	6,090	92	332
Total tax due		6,514	

Workings

W1) Rental profit

	£
Rents: £4,500 x 8	36,000
Less: Allowable expenses	(5,550)
Profit	30,450

W2)

The tax-free status of the ISA continues at death, so interest and dividends are tax-free (for a maximum of three years).

2) Conditions for a valid Will (any four of the following):

1. It must be in writing.
2. It must be signed by the testator.
3. It must be signed in the presence of two witnesses (who cannot benefit from the Will, unless there are two other independent witnesses) who are present together when the Will is signed by the testator.
4. The testator must be “sui juris”, ie they must have the capacity to make the Will. This means they must be over 18 years old and must not be of unsound mind.
5. The testator must intend the Will to be operative as a testamentary disposition.

3) Primary duties of an Executor

1. Obtain probate (or letters of administration if intestate).
2. Ascertain the assets and liabilities of the estate.
3. Collect in the assets of the estate, recover debts owed to the deceased and preserve the deceased’s assets.
4. Pay the expenses, debts and liabilities of the deceased and their own expenses in administering the estate.
5. Distribute the estate in accordance with the terms of the Will or the intestacy rules.

4) Reliefs for reduction in value of assets

Post-mortem relief for quoted shares and unit trusts (s.179) applies where the executors sell quoted shares or securities within 12 months of death.

As the shares were sold more than 12 months after death, no relief is available.

Post-mortem relief for land and buildings (s.191) applies where the executors sell land or buildings within three years of death and the sale price differs from probate value by £1,000 or more (or 5% of the probate value, if lower).

The post mortem relief available for the loss in value of ‘The Star’ is the probate value of the property less the gross sale proceeds: ie £(220,000 – 199,000) = £21,000.

5) CGT value of ‘Hillside’

The value at which the children acquired the property ‘Hillside’ is the probate value, £540,000.

They will each own half of the property with a cost of £540,000 x ½ = £270,000.

6) Taxation of accumulated income

The accumulated income will be treated as paid to the beneficiaries in the tax year in which the administration period ends (ITTOIA 2005 s.652 & s.654).

7. MARY LAMB

1) ISA interest

Interest earned on an ISA during an individual's lifetime is exempt from income tax. *[½]*

The tax-free status of the ISA continues at death, *[½]* so income (and gains) are tax-free. *[½]*

This "continuing ISA" status lasts for up to three years from the date of death. *[½]*

Total 2

2) Income tax payable – Executors

	Rent	Dividend	
	£	£	
Rental income	15,000		*[½]*
Less: Allowable repair	(500)		*[½]*
[Legal costs disallowed as capital]			*[½]*
Dividend income		6,000	*[½]*
	14,500	6,000	
Income tax at 20% / 7.5%	2,900	450	*[1]*

Total 3

3) Income tax payable – Larry

	Rent	Dividend	
	£	£	
Gross income (as above)	14,500	6,000	*[½]*
Less: Dividend allowance		(2,000)	*[½]*
	14,500	4,000	
Income tax at 40% / 32.5%	5,800	1,300	*[1]*
Less: Tax credit	(2,900)	(450)	*[1]*
Tax payable	2,900	850	
Total tax payable	3,750		

Total 3

4) CGT – Executors

	£	
Sale proceeds	405,000	
Less: Legal costs	(5,000)	*[½]*
Net sale proceeds	400,000	
Less: Probate value	(350,000)	*[½]*
Gain	50,000	
Less: Annual exempt amount	(12,300)	*[½]*
Chargeable gain	37,700	
CGT @ 28% (Residential property)	10,556	*[½]*

Total 2

5) Return and payment deadlines

The estate tax return should be submitted online by 31 January 2022. *[½]*

A paper return should be submitted by 31 October 2021. *[½]*

The above dates are replaced by three months after the date of issue, if later. *[½]*

The income tax and CGT due should be paid by 31 January 2022. *[½]*

Total 2

6) Late return and payment

Filing the return late:

A fixed £100 penalty applies to a late return *[½]*

Once the return is three months late, there may be a penalty of £10 for each additional day the return is outstanding (up to 90 days). *[1]*

A return that was four months late could therefore incur an additional penalty of £300. *[½]*

Paying the tax late:

Interest is charged on any tax paid late. *[½]*

A penalty of 5% of the unpaid tax applies after 30 days. *[1]*

No penalty is applied if the taxpayer has a reasonable excuse for the delay. *[½]*

Total 4

7) Preparing tax returns / tax filings

Any *two* from:

The member is responsible to the client for the accuracy of the return/filing based on the information provided. *[1]*

The member has a duty of confidentiality to the client. *[1]*

The member has a duty to act in the best interests of their client. *[1]*

The member must act in good faith in dealings with HMRC. *[1]*

The member must take reasonable care and exercise appropriate professional scepticism when making statements or asserting facts on behalf of their client. *[1]*

When acting as an agent, the member is not required to audit the figures given by their client but should take care not to be associated with facts they know or believe to be incorrect/misleading. *[1]*

The member should consider whether they need to make it clear to HMRC that they are relying on information that has been supplied by the client or a third party. *[1]*

Max 2

Tutorial Note:

This is covered in Chapter 21 of the Ethics 5th edition text book. This is also reproduced in Part 2 of the 2020/21 Tolley Yellow Handbooks, page 3,202, points 10-14.

Total for question 18

8. BUTTON DISCRETIONARY TRUST

1) BPR conditions

To qualify for business property relief (BPR), Hilltops Ltd must be a company that is wholly or mainly a trading company *[½].*

Shares in unlisted companies which are wholly or mainly investment companies do not qualify for BPR. *[½]*

There is no minimum holding; any number of shares in an unlisted trading company can qualify for BPR. *[½]*

There is a minimum ownership requirement of two years. *[½]*

As the trustees have owned the shares for more than two years they would meet this condition. *[½]*

There must not be a binding contract for sale in existence at the time of the transfer. *[½]*

[Credit will be given for any other valid points]

Max 2

2) Effect of properties on BPR availability

BPR will be restricted on a transfer of qualifying shares if the company holds 'excepted assets'. *[½]*

An 'excepted asset' is an asset that has not been used for business purposes throughout the two years immediately preceding the transfer *[½]*, and it is not required for future use in the business. *[½]*

The investment properties owned by Hilltops Ltd are likely to be excepted assets *[½]* which would restrict the BPR available on the distribution. *[½]*

In comparison, the property that Hilltops trades from is used in the business so is not an excepted asset *[½]* and will not affect the availability of BPR. *[½]*

[Credit will be given for any other valid points]

Max 3

3) Business Asset Disposal relief (BADR) for trusts

For BADR to be available on a disposal of shares by trustees, the following conditions must be met:

- The shares must be in a qualifying trading company *[½]*
- There must be a beneficiary with an interest in possession in the trust *[½]*
- For a period of at least two years ending in the three years before the disposal *[½]* the beneficiary must be an officer or employee of the company *[½]* and must have held at least 5% of the ordinary share capital and be able to exercise at least 5% of the voting rights. *[½]*.
- As the claim would use some of the beneficiary's lifetime BADR limit, the beneficiary must have enough of their lifetime limit remaining to cover the capital gain. *[½]*

- The trustees and the beneficiary must make the claim for relief jointly. *[½]*

The trustees would not qualify *[½]* for BADR on the disposal of their shares in Hilltops Ltd as the trust is a discretionary trust. *[½]*

[Credit will be given for any other valid points]

Max 3

4) CGT on transfer of land

The distribution of the land to a beneficiary will be a disposal by the trustees for CGT purposes *[½]* and a capital loss will arise as the base cost of the land exceeds its current market value. *[½]*

The loss must first be set against any capital gains in the period from the beginning of the tax year to the date of the distribution *[½]*, such as a gain on the Hilltops Ltd shares if they are distributed first. *[½]* Any remaining losses will then be transferred to the beneficiary. *[½]* The beneficiary may only use these losses against gains arising on the future disposal of the same piece of land. *[½]*

[Credit will be given for any other valid points]

Max 3

5) Protective trust

A protective trust is a flexible life interest trust *[½]* in which the beneficiary is given a life interest *[½]*, which automatically ends *[½]* on the beneficiary's bankruptcy *[½]*, or if they attempt to dispose of their life interest. *[½]*

Upon those occasions, a discretionary trust arises *[½]* in favour of the former life tenant. *[½]*

[Credit will be given for any other valid points]

Max 3

Total for question 14

9. JACK

1) Types of domicile

Domicile of origin

This is acquired at birth and normally follows the domicile of the father at the time of the individual's birth.

Domicile of dependency

This only affects children under 16 and will be acquired if the domicile of their father changes.

Domicile of choice

This is acquired if a person, aged 16 or over, moves to another country with the intention of settling there permanently whilst severing all ties with the country they previously lived in.

Deemed domicile

A person will be deemed to be domiciled in the UK for IHT purposes:

- For three years after ceasing to be UK domiciled, or
- If they are a "formerly domiciled resident" (ie they were born in the UK, with a UK domicile of origin, and are UK resident in the tax year), or
- If they have been resident in the UK for at least 15 out of the previous 20 tax years.

2) Lifetime IHT on lifetime gifts

	£	£
Necklace to Cal (April 2017)		100,000
Less: AE 2017/18		(3,000)
Less: AE 2016/17		(3,000)
PET (no lifetime tax)		94,000
Sole trade business to Fabrizio (May 2019)		539,000
Less: BPR @ 100%		(539,000)
		Nil
Cash to discretionary trust (August 2019)		500,000
Less: AE 2019/20		(3,000)
Less: AE 2018/19		(3,000)
CLT		494,000
Nil band 2019/20	325,000	
Less: Used in the previous 7 years	(Nil)	(325,000)
		169,000
IHT @ 20%		33,800

3) Additional IHT on the lifetime gifts due to death within 7 years of the gifts

	£	£
PET April 2017		94,000
Nil band at death	325,000	
Less: CTs in 7 years before gift	(Nil)	
		(325,000)
Chargeable on death		Nil
PET May 2019		Nil
Add: BPR withdrawn (donee no longer holds asset)		539,000
		539,000
Nil band at death	325,000	
Less: CTs in 7 years before gift	(94,000)	
		(231,000)
Now chargeable on death		308,000
Death tax due at 40%		123,200
CLT August 2019		500,000
Less: AE 2019/20 (note)		(3,000)
Less: AE 2018/19		(3,000)
CLT		494,000
Nil band at death	325,000	
Less: CTs in 7 years before gift	(633,000)	
		(Nil)
Chargeable on death		494,000
Death tax due at 40%		197,600
Less: Tax paid		(33,800)
Extra tax due on death		163,800

Tutor Note:

The annual exemptions will remain with the gift to the discretionary trust because they have already been taken into account in calculating the lifetime tax.

4) IHT on the death estate

	£	£
UK residence		475,000
Offshore holiday home (excluded property as deceased non-dom)		Nil
UK bank account		30,800
Cash and other chattels, held at the UK home		7,540
Overseas bank account (excluded property as deceased non-dom)		Nil
Chargeable estate		513,340
Nil band at death	325,000	
Less: CTs in 7 years before death	(1,127,000)	
		(Nil)
Chargeable estate		513,340
IHT @ 40%		205,336

5)

The IHT400 return should be submitted to HMRC by 30 November 2021.

6) <u>Due date</u>

The due date for Inheritance Tax is six months after the end of the month in which the deceased died or on delivery of the IHT return, if earlier.

Interest will run from six months from the end of the month of death, ie in Jack's case, from 31 May 2021.

The option to pay by instalments may be available on some assets such as the home.

Penalties will be charged if the tax is not paid by the filing date of the return.

Total for question 20

10. KATE DISCRETIONARY TRUST

1) Trustees' Capital Gains Tax calculation

British Oil plc:

	£
Proceeds (7,850 x 6.37)	50,005
Less: Purchase cost (7,850 x 2.50)	(19,625)
Net gain	30,380
Less: Annual exempt amount	(6,150)
Less: Trustees' capital losses b/fwd	(3,000)
Taxable gain	21,230
CGT @ 20%	4,246

2) Austin's Capital Gains Tax calculation

British Oil plc:

	£	£
Proceeds (7,850 x £6.37)		50,005
MV at transfer	50,005	
Less: Gain held-over (as above)	(30,380)	
		(19,625)
Net gain		30,380
Less: Annual exempt amount		(12,300)
Taxable gain		18,080
CGT @ 20%		3,616

3) Additional income tax payable by trustees

	Interest £	Dividends £
Dividends		9,111
Bank interest	5,000	
Taxable	5,000	9,111
Tax pool b/fwd		1,856
Add: Trustees' tax liability		
£1,000 @ 20%		200
£4,000 @ 45%		1,800
£9,111 @ 38.1%		3,471
		7,327
Less: Beneficiary tax credit (£11,000 x 45/55)		(9,000)
Additional tax to pay by trustees		1,673

4) Trustees' duties

Any *four* from:

- Act within the scope of their powers;
- Protect the trust property;
- Invest the trust property;
- Act impartially as between the beneficiaries;
- Keep true and accurate accounts;

- Distribute income and capital to beneficiaries as they become due;
- Not to profit personally from trust;
- Not to purchase property from the trust.

Total for question 15