

Trusts

Purpose

At the end of this unit, candidates should be able to demonstrate an understanding of the:

- legal principles associated with the creation and management of a trust;
- main types of trusts that are common in the UK;
- taxation considerations relevant to trusts.

Summary of learning outcomes

1. Explain the structure of a trust and the roles of the main parties;
2. Explain how trusts are created;
3. Explain the rules covering the investment of trust assets and the administration of trusts;
4. Explain the consequences of giving a Power of Attorney or an Enduring Power of Attorney;
5. Explain the consequences of making a Will or of dying intestate;
6. Explain the bankruptcy rules, the role of the trustee in bankruptcy and alternatives to bankruptcy;
7. Analyse how trusts are subject to tax and how a liability can fall to the settlor, trustees or beneficiaries;
8. Explain how life assurance policies, pension benefits and other investments can be placed in trust, and the tax and other implications;
9. Apply effective trust and related tax planning solutions.

Important notes

- This syllabus will be examined in the October 2017 and April 2018 sessions.
- Candidates will be examined on the basis of English Law and practice in the tax year 2017/2018 unless otherwise stated.
- The general rule is that exams are based on the English legislative position three months before the date of the exams.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
 1. Visit www.cii.co.uk/qualifications
 2. Select the appropriate qualification
 3. Select your unit on the right hand side of the page

- 1. Explain the structure of a trust and the roles of the main parties**
 - 1.1 Explain the legal structure of a trust;
 - 1.2 Describe the role and legal standing of the main parties of a trust.
- 2. Explain how trusts are created**
 - 2.1 Explain the different methods of creating a trust.
 - 2.2 Describe the main types of trusts.
- 3. Explain the rules covering the investment of trust assets and the administration of trusts**
 - 3.1 Describe the rules covered in the Trustee Act 2000 and other relevant legislation;
 - 3.2 Explain varying trusts;
 - 3.3 Explain charitable trusts;
 - 3.4 Explain the rules covering the creation and maintenance of offshore trusts.
- 4. Explain the consequences of giving a Power of Attorney or an Enduring Power of Attorney**
 - 4.1 Explain the rules covering general Powers of Attorney;
 - 4.2 Explain the rules covering Enduring and Lasting Powers of Attorney;
 - 4.3 Describe the role of the Court of Protection;
 - 4.4 Describe the rules covered in the Mental Capacity Act 2005 and other relevant legislation covering substituted decision-making.
- 5. Explain the consequences of making a Will or of dying intestate**
 - 5.1 Explain the requirements for and benefits of making a valid Will;
 - 5.2 Explain the rules of intestacy;
 - 5.3 Explain the process for changing a Will/intestacy after death;
 - 5.4 Explain the implications of revoking, challenging or changing circumstances of Wills.
 - 5.5 Describe the role of the executor and administrator of an estate.
- 6. Explain the bankruptcy rules, the role of the trustee in bankruptcy and alternatives to bankruptcy**
 - 6.1 Describe the roles of the main parties involved in the bankruptcy process;
 - 6.2 Explain the rules covering bankruptcy;
 - 6.3 Explain the effects of bankruptcy on trusts;
 - 6.4 Explain the alternatives to bankruptcy.
- 7. Analyse how trusts are subject to tax and how a liability can fall to the settlor, trustees or beneficiaries**
 - 7.1 Explain the tax liability of trustees and their responsibilities under self-assessment;
 - 7.2 Analyse the implications of Income Tax in relation to the various types of trusts;
 - 7.3 Analyse the implications of Capital Gains Tax in relation to the various types of trusts;
 - 7.4 Explain the implications of Income Tax, Capital Gains Tax and Inheritance Tax for trusts for the vulnerable;
 - 7.5 Explain the implications of Inheritance Tax in relation to the various types of trusts;
 - 7.6 Explain the main Income Tax and Capital Gains Tax provisions for estates of deceased persons.
- 8. Explain how life assurance policies, pension benefits and other investments can be placed in trust, and the tax and other implications**
 - 8.1 Explain how benefits from life, pensions and other investments can be placed in trust;
 - 8.2 Describe the uses and benefits of placing life assurance policies in trust;
 - 8.3 Describe trustees' responsibilities for life and pensions policies under trust;
 - 8.4 Explain the implications of tax on life and pensions policies.
- 9. Apply effective trust and related tax planning solutions**
 - 9.1 Apply trust and other tax planning solutions to meet client objectives and minimise tax liabilities;
 - 9.2 Describe events which may give rise to the need for a review of trust arrangements.

Reading list

The following list provides details of various publications which may assist you with your studies.

Note: The examination will test the syllabus alone.

The reading list is provided for guidance only and is not in itself the subject of the examination.

The publications will help you keep up-to-date with developments and will provide a wider coverage of syllabus topics.

CII/PFS members can borrow most of the additional study materials below from Knowledge Services. CII study texts can be consulted from within the library.

New materials are added frequently - for information about new releases and lending service, please go to www.cii.co.uk/knowledge or email knowledge@cii.co.uk.

CII study texts

Trusts. London: CII. Study text Jo2.

Financial planning. London: CII. Study text Ro5.

Books (and eBooks)

A practitioner's guide to trusts. John Thurston. 10th ed. Haywards Heath, West Sussex: Bloomsbury Professional, 2013.

Capital gains tax calculations. Sarah Dingley-Brown. Annual. Totnes, SDB Training.

Core tax annuals, 6v (Capital gains tax; Corporation Tax; Income tax; Inheritance tax; Trusts and estates; Value-added tax). Various authors. Haywards Heath, West Sussex: Bloomsbury Professional. Annual.

Equity and trusts. Alastair Hudson. 9th ed. London: Routledge-Cavendish, 2016.*

Financial calculations. Sarah Dingley-Brown. Annual. Totnes, SDB Training.

Ray & McLaughlin's practical inheritance tax planning. 13th ed. Toby Harris, Mark McLaughlin, Ralph Ray. Haywards Heath, West Sussex: Tottel, 2016.

Risk and negligence in wills, estates and trusts. Martyn Frost, et al. 2nd. edition. Oxford: Oxford University Press, 2014.

Trust taxation and estate planning. Emma Chamberlain and Chris Whitehouse. 4th ed. London: Thomson Reuters, 2014.

Wills, administration and taxation: a practical guideline and practice. J S Barlow, L C King, A G King. 11th ed. Sweet and Maxwell, 2014.

eBooks

The following ebooks are available through Discovery via www.cii.co.uk/discovery (CII/PFS members only):

Equity and trusts: a problem-based approach. Judith Riches. Abingdon, Oxon: Routledge, 2017.

Understanding equity and trusts. 6th ed. Alastair Hudson. Abingdon, Oxon: Routledge, 2017.

Journals and magazines

Financial adviser. London: FT Business. Weekly. Also available online at www.ftadviser.com.

Financial times. London: Financial Times. Daily. Also available online at www.ft.com.

Personal finance professional (previously Financial solutions). London: CII. Six issues a year. Also available at www.thepfs.org/knowledge (CII/PFS members only).

Money management. London: FT Business. Monthly. Also available via www.ftadviser.com.

Money marketing. London: Centaur Communications. Weekly. Also available online at www.moneymarketing.co.uk.

Further articles and technical bulletins are available at www.cii.co.uk/knowledge (CII/PFS members only).

Reference materials

Dictionary of banking and finance. P H Collin. A&C Black, 2005.*

Lamont's glossary: the definitive plain English money and investment dictionary. Barclay W Lamont. 10th ed. London: Taxbriefs, 2009. Also available online via www.cii.co.uk/lamont (CII/PFS members only).

Harriman's financial dictionary: over 2,600 essential financial terms. Edited by Simon Briscoe and Jane Fuller. Petersfield: Harriman House, 2007.*

Tolley's tax guide. Arnold Homer, Rita Burrows. London: LexisNexis Butterworths. Annual.

Tolley's tax planning. London: LexisNexis. Annual.

*Also available as an ebook through Discovery via www.cii.co.uk/discovery (CII/PFS members only).

Examination guides

Guides are produced for each sitting of written answer examinations. These include the exam questions, examiners' comments on candidates' performance and key points for inclusion in answers.

You are strongly advised to study guides from the last two sittings. Please visit www.cii.co.uk to buy online or contact CII Customer Service for further information on +44 (0)20 8989 8464.

Alternatively, if you have a current study text enrolment, the latest exam guides are available via www.revisionmate.com.

Older guides are available via www.cii.co.uk/pastexamguides (CII/PFS members only).

Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.

The Insurance Institute of London holds a lecture on revision techniques for CII exams approximately three times a year. The slides from their most recent lectures can be found at www.cii.co.uk/iilrevision (CII/PFS members only).