



Chartered  
Insurance  
Institute

# J02

## Diploma in Financial Planning

Unit J02 – Trusts

September 2024 Examination Guide

### SPECIAL NOTICES

Candidates entered for the February 2025 examination should study this examination guide carefully in order to prepare themselves for the examination.

Practice in answering the questions is highly desirable and should be considered a critical part of a properly planned programme of examination preparation.

## J02 – Trusts

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## IMPORTANT GUIDANCE FOR CANDIDATES

### Introduction

The purpose of this Examination Guide is to help you understand how examiners seek to assess the knowledge and skill of candidates. You can then use this understanding to help you in your preparation for this examination.

### Before the examination

#### Study the syllabus carefully

This is available online at [www.cii.co.uk](http://www.cii.co.uk). All the questions in the examination are based directly on the syllabus. *You will be tested on the syllabus alone*, so it is vital that you are familiar with it.

There are books specifically produced to support your studies that provide coverage of all the syllabus areas. However, you should be prepared to read around the subject. This is important particularly if you feel that further information is required to fully understand a topic, or an alternative viewpoint is sought. The reading list which can be found with the syllabus provides valuable suggestions.

#### Note the assumed knowledge

For the Diploma in Financial Planning, candidates are assumed to have studied the relevant units of the Certificate in Financial Planning or the equivalent. This knowledge is set out on the relevant syllabus.

#### Read widely

If you do not have experience in advising clients whose financial needs are relatively sophisticated, *it is quite unrealistic to expect that the study of a single textbook will be sufficient to meet all your requirements*. While books specifically produced to support your studies will provide coverage of all the syllabus areas, you should be prepared to read around the subject. This is important, particularly if you feel that further information is required to fully understand a topic, or an alternative viewpoint is sought. It is vital that your knowledge is widened beyond the scope of one book. The reading list which can be found with the syllabus provides valuable suggestions.

#### Make full use of the Examination Guide

This Examination Guide contains a full examination paper and model answers. The model answers show the types of responses the examiners are looking for and which would achieve maximum marks. *However, you should note that there are alternative answers to some question parts which would also gain high marks*. For the sake of clarity and brevity not all of these alternative answers are shown.

This guide and previous Examination Guides can be treated as 'mock' examination papers. Attempting them under examination conditions as far as possible, and then comparing your answers to the model ones, should be seen as an essential part of your exam preparation. The examiner's comments on candidates' actual performance in each question provide further valuable guidance. You can obtain copies of the two most recent examination guides free of charge at [www.cii.co.uk](http://www.cii.co.uk).

### **Know the layout of the tax tables**

Familiarise yourself with the information contained within the tax tables printed at the back of each Examination Guide. These tax tables will be provided to candidates as part of the exam. The tax tables enable you to concentrate on answering the questions without having to worry about remembering all the information. *Please note that you are not allowed to take your own tax tables into the examination, these are provided in the portal as you sit the exam (see page 6).*

### **Know the structure of the examination**

- Assessment is by means of a two-hour online exam.
- All questions are compulsory.
- The online exam is made up of 15 short questions.
- Each question part will clearly show the maximum marks which can be earned.
- The exam will carry a total of 130 marks.

### **Appreciate the standard of the examination**

Candidates must demonstrate that they are capable of advising clients *whose overall levels of income and capital require a more sophisticated scheme of investment* than is normally prepared by a level 4 qualified adviser. These clients require a critical appraisal of the various financial planning options available to them.

### **Read the Assessment information and Exam policies for candidates**

The details of administrative arrangements and the regulations which form the basis of your examination entry are available online at [www.cii.co.uk/qualifications/assessment-information/introduction/](http://www.cii.co.uk/qualifications/assessment-information/introduction/). This is *essential reading* for all candidates.

### **On-screen written exam familiarisation**

The familiarisation test allows you to experience using the assessment platform before your exam. Please note that while there might be slight differences in layout it will give you a good idea of how to navigate and use the platform functionality. This test is for the purpose of familiarisation with the assessment platform only. You can also access past exam papers here:

<https://www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/exam-papers-and-test-specifications/>

You can access the familiarisation test at any time.

<https://www.cii.co.uk/learning/qualifications/assessment-information/on-screen-written-exams-by-remote-invigilation/exam-familiarisation/>

Although based on AF1, this example test is designed for all candidates and while there might be slight differences in layout it will give you a good idea of how to navigate and use the platform functionality.

**We strongly advise that you try the familiarisation test once you have received your login details and well in advance of the actual exam day.**

Please note you are strongly advised **not to** use a laptop provided by your employer.

Laptops and IT equipment provided by your employer typically include security protocols that conflict with any remote invigilation software. You should also avoid using a corporate Wi-Fi or any other internet connection that may include firewalls that you cannot personally control.

- From the familiarisation test, ensure you can scroll right and see the whole screen. Ensure your screen resolution shows all the features including the button to return back to your answers to **edit** them.

The screenshot displays the Chartered Institute of Taxation examination interface. On the left, a case study is presented. On the right, 'SECTION A' contains 'Question 1', which is compulsory and carries 80 marks. The question asks the candidate to calculate the Inheritance Tax (IHT) due as a result of Peggy's death on 1 March 2019. The interface includes navigation buttons (Prev, Nav, Next, Clear Highlight), a calculator, and an 'End Test' button. A timer shows 174:27. A notification bubble indicates that the question has been answered and can be edited.

**Case Study:**

Andrew, aged 63, a higher rate taxpayer has two adult children, Lance and Hayley. Lance is a basic rate taxpayer and Hayley is a non-taxpayer. Hayley needs regular care as a result of the injuries she suffered in a motor accident when she was a child. Lance has two young children both under the age of 10. Andrew's mother, Peggy, a widow, died on 1 March 2019 leaving her entire estate to Andrew. Peggy inherited her Aunt's estate of £400,000 in February 2016 following the payment of £30,000 Inheritance Tax (IHT) that was due following the administration of her estate. Peggy's estate was comprised of the following on her death:

House	£700,000
Deposit accounts	£323,000
Cash ISAs	£55,000
FTSE listed shares	£150,000
Collective investment portfolio	£101,000
Personal Pension nominated to a discretionary trust	£326,000

Peggy's husband Frank, died in 2016, leaving his share of their house and his residual estate to Peggy. Frank made only one gift in the seven years before he died. He settled £450,000 into a discretionary trust just under four years earlier. Inheritance Tax (IHT) of £23,800 was paid at outset by the trustees. Following Peggy's death, Andrew is the only remaining trustee. Andrew is in discussions with his solicitors to draft a Will and they have suggested he arrange a Lasting Power of Attorney (LPA) for Property & Financial Affairs. Andrew intends to make some provision for his children and grandchildren. His income is around £10,000 a year higher than his outgoings. He has a variety of savings accounts and an onshore life assurance bond invested in a managed fund which has performed well over the years.

To gain maximum marks for calculations you must show all your workings and express your answers to two decimal places.

**1. (a)** Calculate, showing all your workings, the IHT due as a result of Peggy's death on the 1 March 2019. (13)

**Question 1:**

**SECTION A**  
This question is compulsory and carries 80 marks

**Question 1**  
Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the client's circumstances as set out in the case study. Please carry out ALL of the tasks (a), (b), (c), (d) and (e) which follow.

Andrew, aged 63, a higher rate taxpayer has two adult children, Lance and Hayley. Lance is a basic rate taxpayer and Hayley is a non-taxpayer. Hayley needs regular care as a result of the injuries she suffered in a motor accident when she was a child. Lance has two young children both under the age of 10.

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Andrew is in discussions with his solicitors to draft a Will and they have suggested he arrange a Lasting Power of Attorney (LPA) for Property & Financial Affairs. Andrew intends to make some provision for his children and grandchildren. His income is around £10,000 a year higher than his outgoings. He has a variety of savings accounts and an onshore life assurance bond invested in a managed fund which has performed well over the years.

**1. (a)** Calculate, showing all your workings, the IHT due as a result of Peggy's death on the 1 March 2019. (13)

2. Tax tables are provided at the right-hand side of the interface after the question paper for candidates to use which is different to the CII's multiple choice exams. Please do not bring your own copies into the exam.

Andrew, aged 63, a higher rate taxpayer has two adult children, Lance and Hayley. Lance is a basic rate taxpayer and Hayley is a non-taxpayer. Hayley needs regular care as a result of the injuries she suffered in a motor accident when she was a child. Lance has two young children both under the age of 10. Andrew's mother, Peggy, a widow, died on 1 March 2019 leaving her entire estate to Andrew. Peggy inherited her Aunt's estate of £400,000 in February 2016 following the payment of £30,000 Inheritance Tax (IHT) that was due following the administration of her estate. Peggy's estate was comprised of the following on her death:

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Peggy's husband Frank, died in 2016, leaving his share of their house and his residual estate to Peggy. Frank made only one gift in the seven years before he died. He settled £450,000 into a discretionary trust just under four years earlier. Inheritance Tax (IHT) of £23,800 was paid at outset by the trustees. Following Peggy's death, Andrew is the only remaining trustee. Andrew is in discussions with his solicitors to draft a Will and they have suggested he arrange a Lasting Power of Attorney (LPA) for Property & Financial Affairs. Andrew intends to make some provision for his children and grandchildren. His income is around £10,000 a year higher than his outgoings. He has a variety of savings accounts and an onshore life assurance bond invested in a managed fund which has performed well over the years.

With regard to the discretionary trust established by Frank:

1. (b)(i) Explain to Andrew why IHT was payable when assets were placed into the trust and how it was calculated. No calculation is required. (6)

AF1 October 2019

### INCOME TAX

RATES OF TAX	2018/2019	2019/2020
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£34,500	£37,500
Threshold of taxable income above which additional rate applies	£150,000	£150,000

Child benefit charge:  
1% of benefit for every £100 of income over £50,000 £50,000 £50,000

\*not applicable if taxable non-savings income exceeds the starting rate band of £5,000.

Dividend Allowance		£2,000
Dividend tax rates		
Basic rate		7.5%
Higher rate		32.5%
Additional rate		38.1%
Trusts		
Standard rate band		£1,000
Rate applicable to trusts		
- dividends		38.1%
- other income		45%

#### MAIN PERSONAL ALLOWANCES AND RELIEFS

Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic)	£11,850	£12,500
Married/civil partners (minimum) at 10% †	£3,360	£3,450
Married/civil partners at 10% †	£8,695	£8,915
Marriage Allowance	£1,190	£1,250
Income limit for Married Couple's Allowance †	£28,900	£29,600
Rent a Room scheme – tax free income allowance	£7,500	£7,500

3. Once you have typed in your answer ensure you click the red 'Answer' box, this will save your answer and move you onto the next question. Unless you press 'Answer', you will not be permitted to move onto other questions. Furthermore, please do not type all of your answers for every question into the answer space for Q1a. You should familiarise yourself with all questions prior to starting the exam.

(i) Explain to Andrew why IHT was payable when assets were placed into the trust and how it was calculated. No calculation is required. (6)

(ii) Describe to Andrew why IHT was payable when his father died and how it was calculated. No calculation is required. (8)

(iii) State Andrew's duties as a trustee under the Trustee Act 2000. (12)

AF1 October 2019

### INCOME TAX

RATES OF TAX	2018/2019	2019/2020
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
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Rent a Room scheme – tax free income allowance	£7,500	£7,500

4. On the day of the J02 exam, please click J02 Trusts



The above screenshot is also a space where you can jot down any notes on paper that may assist you during the exam. Please note, the exam timer will not start until you click the exam titled: J02 Trusts.

## In the examination

### The following will help:

#### Spend your time in accordance with the allocation of marks:

- The marks allocated to each question part are shown on the paper.
- If a question has just two marks allocated, there are likely to be only one or two points for which the examiner is looking for, so a long answer is wasting valuable time.
- Conversely, if a question has 12 marks allocated, a couple of lines will not be an adequate answer. Always remember that if the exam is not completed, your chances of passing will be reduced considerably.
- Do not spend excessive time on any one question; if the time allocation for that question has been used up, go on to the next question and return to the incomplete question after you have completed the rest of the paper, if you have time.

#### Take great care to answer the question that has been set.

- Many candidates finish the exam confident that they have typed a 'good' paper, only to be surprised when they receive a disappointing result. Often, the explanation for this lies in a failure to think carefully about what the examiner requires before typing.
- Highlighting key words and phrases is a technique many candidates find useful.
- The model answers provided in this Examination Guide would gain full marks. Alternative answers that cover the same points and therefore answer the question that has been asked would also gain full marks.

#### Tackling questions

Tackle the questions in whatever order feels most comfortable. Generally, it is better to leave any questions which you find challenging until you have attempted the questions you are confident about. Candidates should avoid mixing question parts, (for example, 1(a)(i) and (ii) followed by 2(b)(ii) followed by 1(e)(i)) as this often leads to candidates unintentionally failing to fully complete the examination paper. This can make the difference between achieving a pass or a narrow fail.

It is vital to label all parts of your answer correctly as many questions have multiple parts to them (for example, question 1(a) may have parts (i), (ii) and (iii)). Failure to fully distinguish between the separate question parts may mean that full credit cannot be awarded. It is also important to note that a full answer must be given to each question part and candidates should not include notes such as 'refer to answer given in 1(b)(i)'.

### Answer format

Unless the question requires you to produce an answer in a particular format, such as a letter or a report, *you should use 'bullet points' or short paragraphs*, since this allows you to communicate your thoughts in the most effective way in the least time. The model answers indicate what is acceptable for the different types of question.

Where you are asked to perform a calculation, it is important to show **all** the steps in your answer. The majority of the marks will be allocated for demonstrating the correct method of calculation.

Candidates will **not** lose marks due to poor spelling or grammar.

### Calculators

The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation in your answer, even if you have used a calculator. You are permitted to use your own calculator.

### Tips for laying out calculations in on-screen written exams

Where you are asked to perform a calculation, it is important to show **all the steps** in your answer. Most of the marks will be allocated for demonstrating the correct method of calculation.

While there are no marks for presentation, laying the calculation out well will make it easier for the examiner to identify all of the marks you have achieved. It does not matter how long the calculation is, if it is well set out. There is no preferred format but following the below guidelines is often helpful:

- Set out each stage of your calculation on a separate line.
- Label the values used i.e. in the trust calculation:
  - Settlement - £500,000,
  - Annual allowances - £6,000
- Identify all allowances, exemptions, tax rate bands, tax rates used in £ terms.
- Use subtotals, where appropriate: i.e.:
  - Settlement - £500,000
  - Annual allowances – (£6,000)
  - = £494,000
- Show all your workings, for example:
  - grossing up of the 20% lifetime rate
- Double check all of your figures, specifically:
  - That you have calculated each section correctly.
  - That you have added up all of your figures correctly.

## EXAMINERS' COMMENTS

### Candidates' overall performance

Candidates generally performed well in this examination.

There were some good answers to questions testing the main areas of the syllabus, in particular Q3 on the benefits and drawbacks of a discretionary trust compared to a bare trust and Q11, which tested the taxation of Open Ended Investment Company shares (OEICs) transferred into a discretionary trust.

The exam included questions on areas tested less frequently, i.e. immediate post death interest trusts (Q5) and business trusts (Q13) and there were some mixed responses to these questions.

There were also questions testing recent changes to the intestacy rules (Q8), which was answered well, and the taxation of income received during the administration of the estate (Q12).

### Question 1

The first question in the exam asked candidates to explain the difference between the legal and beneficial ownership of a trust. This was generally well answered although the common marks missed by candidates were that the trust property should be registered in the trustees' names and the trustees cannot use the trust property for their own benefit.

### Question 2

In part (a), candidates were required to explain briefly how a trustee can retire using the power in section 39 of the Trustee Act 1925. This was not well answered and some candidates provided answers based on how a trustee can be replaced under section 36 of the Trustee Act 1925. However, many candidates correctly identified a trustee could retire using a Deed of Retirement. Part (b), which asked candidates to describe the action required to appoint new trustees following the death of the sole trustees of a trust, was generally answered well.

### Question 3

This question asked candidates to explain the benefits and drawbacks of making a gift into a discretionary trust compared to a bare trust. This question was generally very well answered.

### Question 4

Part (a) required candidates to state four ways a lifetime trust can be created. There were some mixed responses to this question, with some candidates incorrectly including trusts created on death (i.e. via Will or intestacy) in their answers.

In part (b), candidates had to describe briefly the perpetuity period and accumulation period of a trust created on or after 6 April 2010. Many candidates correctly stated the perpetuity period is 125 years and income can be accumulated for the whole of the trust period, although few candidates stated a shorter period can be chosen and incorporated in the trust.

### **Question 5**

Part (a) asked candidates to describe an Immediate Post Death Interest Trust (IPDI). This is a less frequently tested area, although many candidates were awarded marks for stating the trust is created on the death of the testator and gives a beneficiary an immediate interest in possession/right to income.

In part (b), candidates were asked to describe the Inheritance Tax (IHT) position on the death of an individual who has created an IPDI trust in favour of their spouse. This question was generally not well answered, although some candidates correctly identified there would be no IHT on first death and the value of the trust fund will be included in the estate of the spouse.

### **Question 6**

This question required candidates to explain the features of a charitable trust established on or after 6 April 2010 that differ from a private trust. There were some disappointing answers to this question and few candidates achieved high marks.

### **Question 7**

In part (a), candidates were asked to describe the requirements for a financial decisions Lasting Power of Attorney (LPA) to be valid. This question was answered reasonably well, although some candidates missed out on some basic marks by not including that the donor and attorney must be aged 18 or over and the donor must have mental capacity.

Part (b) asked candidates to explain briefly the action that must be taken by the donor before an LPA can be used. This was answered well with many candidates correctly identifying the LPA would need to be registered with the Office of the Public Guardian (OPG).

### **Question 8**

This question included a mini-case study in which Pedro had died without leaving a Will. Part (a) asked candidates to describe how Pedro's estate will be distributed under the rules of intestacy. This question was well answered, and many candidates correctly identified the recent change to the statutory legacy (£322,000) received by the spouse.

Part (b) tested candidates on who is responsible for distributing the estate and how they are appointed. This question was not so well answered.

### **Question 9**

Part (a) required candidates to describe the conditions for a Deed of Variation to be effective for IHT purposes. This question has been frequently tested in J02 and although it was answered reasonably well, few candidates achieved full marks.

In part (b), candidates had to explain the income tax implications if Jack varies his father's Will in favour of Daniel. There were some mixed answers to this question, although it was pleasing to see that some candidates correctly identified from the mini-case study that as Daniel was 12 years old, the parental settlement rules would apply.

### Question 10

A mini-case study presented candidates with Alfonso, who is a trustee and potential beneficiary of a discretionary trust and he has recently been made bankrupt. There were then two question parts requiring candidates to explain the impact on the trust of Alfonso's bankruptcy in his participation as a trustee and potential beneficiary. In part (a), many candidates correctly identified Alfonso can continue to act as a trustee, with some candidates also stating the settlor or other trustees could remove/replace him as a trustee if they consider he is no longer suitable to act as a trustee. Few candidates explained how this could be done using any powers in the trust or under section 36 of the Trustee Act 1925.

Part (b) was generally well answered with a good number of candidates achieving full marks.

### Question 11

In this question, candidates were introduced to Ahmed, who had transferred Open Ended Investment Company shares (OEICs) into a discretionary trust. Part (a)(i) required candidates to calculate the IHT payable when the OEICs were transferred into trust. This question was answered very well and many candidates achieved high marks. A common mistake made by candidates who didn't gain full marks was not deducting the two available annual exemptions (i.e. £3,000 x 2) from the amount of the transfer.

In part (a)(ii), candidates were asked to explain briefly how the IHT payable when the OEICs were transferred into trust would have differed if Ahmed had paid the tax. Many candidates correctly identified the gift would be grossed up, although few achieved all three marks.

Part (b) needed an explanation of the Capital Gains Tax implications if the trustees dispose of the OEICs in the 2024/25 tax year. It was pleasing that many candidates answered this question well, recognising from the mini-case study that the £1,500 annual exemption would be split between the two trusts Ahmed had created.

### Question 12

This question included a mini-case study in which Cedric had died. He held company shares which had paid dividends in the 2024/25 tax year, before and after his death. Candidates were asked to explain the responsibilities of the personal representatives of Cedric's estate in respect of the payment of Income Tax on the dividends received. Answers to this question were mixed and many candidates did not identify the difference in the taxation of the dividends received before Cedric's death (i.e. taxable as his income) and after his death (i.e. taxable as income of the estate). However, it was pleasing to see some candidates identify the recent introduction of the £500 *de minimis* for low income estates.

### Question 13

This question asked candidates to explain the process required for the shareholding directors of a company to take out life insurance under a business trust, as part of a share purchase arrangement in the event of their death. This is an area which has not been tested for a while and candidates generally struggled with their answers. Marks were awarded for some of the more basic points, but many candidates were unable to explain the process with the level of detail required to score high marks.

**Question 14**

This question was a test of candidates' knowledge of flexible reversionary trusts. In part (a), candidates had to describe how a flexible reversionary trust operates. Some candidates achieved full marks, although the question was generally not well answered.

Part (b) asked candidates to state three disadvantages of using a flexible reversionary trust compared to a discounted gift trust. This question was also not well answered, although many candidates identified the whole gift will be included in the IHT calculation should the settlor die within the initial seven years of the gift, as there is no discount.

**Question 15**

This question asked candidates to state eight examples of disputes between the trustees and beneficiaries that may require a trust to be reviewed. There were some mixed answers to this question and few candidates achieved high marks.

## Unit J02 – TRUSTS

### Instructions to candidates

Read the instructions below before answering any questions.

All questions in this examination are based on English law and practice applicable in the tax year 2024/2025, unless stated otherwise in the question, and should be answered accordingly. It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.

### If you are sitting via remote invigilation please

- Write down the following number +44 (0)80 8273 9244 this is the number to use if your system freezes or you get forced out of your exam. It is fine to phone it if you have these issues.
- Show your ID to the camera now, if you did not do so during the ID checks.
- Show the edge of your screen with a mirror, if you did not do this during the room scan.
- Show any blank sheets of paper for notes, if you did not show both sides to the camera during the room scan.

If you are sitting in a test centre and encounter a problem please alert the invigilator.

### For candidates sitting via remote invigilation or at a test centre

- **Two hours** are allowed for this paper which consists of 15 short answer questions and carries a total of 130 marks.
- You are strongly advised to attempt **all** questions to gain maximum possible marks.
- The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation, even if you have used a calculator.
- **Different to Multiple Choice exams, tax tables are provided at the right-hand side of the interface after the question paper.**
- For each answer, please type in the full question number you are answering e.g. 1a
- **Please note each answer must be typed in the correct corresponding answer box**
- **If you are wearing a headset, earphones, smart watch please take them off. No watches are allowed.**
- Please familiarise yourself with **all** questions before starting the exam.

Subject to providing sufficient detail you are advised to be as brief and concise as possible, using note format and short sentences.

Attempt ALL questions

Time: 2 hours

*To gain maximum marks in a calculation, you must show all your workings and express your answers to two decimal places.*

**PLEASE ENSURE YOU TYPE EACH ANSWER PER QUESTION IN THE CORRECT ANSWER BOX**

1. Explain the difference between the legal and beneficial ownership of a trust. (6)
  
2. (a) Explain briefly how a trustee can retire using the power in section 39 of the Trustee Act 1925. (4)  
  
(b) Describe the action required to appoint new trustees following the death of the sole trustee of a trust. (4)
  
3. Nia is considering making a gift of £350,000 into trust for the benefit of her grandchildren.  
  
Explain **five benefits** and **five drawbacks** of her making a gift into a discretionary trust compared to a bare trust. (10)
  
4. (a) State **four** ways a lifetime trust can be created. (4)  
  
(b) Describe briefly the perpetuity period and accumulation period of a trust created on or after 6 April 2010. (3)
  
5. (a) Describe an Immediate Post Death Interest Trust (IPDI). (5)  
  
(b) Describe briefly the Inheritance Tax (IHT) position on the death of an individual who has created an IPDI trust in favour of their spouse. (3)
  
6. Explain the features of a charitable trust established on or after 6 April 2010, that differ from a private trust. (8)

**PLEASE ENSURE YOU TYPE EACH ANSWER PER QUESTION IN THE CORRECT ANSWER BOX**

7. (a) Describe the requirements for a financial decisions Lasting Power of Attorney (LPA) to be valid. (6)
- (b) Explain briefly the action which must be taken by the donor before an LPA can be used. (3)
8. Maria has recently been widowed following the death her husband, Pedro. She has two adult children. Pedro had always meant to write a Will but never effected one. He left an estate made up of £600,000 of assets held solely in his name.
- (a) Describe how Pedro's estate will be distributed under the rules of intestacy. (5)
- (b) Explain briefly who is responsible for distributing the estate and how they are appointed. (3)
9. Jack inherited £200,000 following the death of his father a year ago. The value of Jack's estate exceeds his nil rate band and he would like a share of his inheritance to go directly to his son Daniel, aged 12.
- (a) Describe the conditions for a Deed of Variation to be effective for IHT purposes. (8)
- (b) Explain the Income Tax implications if Jack varies his father's Will in favour of Daniel. (4)
10. Alfonso is a trustee and potential beneficiary of a discretionary trust. He has recently been declared bankrupt.
- Explain the impact on the trust of Alphonso's bankruptcy in his participation as a:
- (a) Trustee; (4)
- (b) potential beneficiary. (2)

**PLEASE ENSURE YOU TYPE EACH ANSWER PER QUESTION IN THE CORRECT ANSWER BOX**

11. Ahmed transferred Open Ended Investment Company shares (OEICs) into a discretionary trust on 1 September 2024 when the shares were valued at £375,000. Ahmed had previously created a discretionary trust in 2014. He has made no other gifts.
- (a) (i) Calculate, **showing all your workings**, the IHT payable when the OEICs were transferred into trust on 1 September 2024. *Assume the trustees paid the tax.* (5)
- (ii) Explain briefly how the IHT payable when the OEICs were transferred into trust would have differed if Ahmed had paid the tax. *No calculations are required.* (3)
- (b) Explain, using figures where appropriate, the Capital Gains Tax (CGT) implications if the trustees dispose of the OEICs in the 2024/2025 tax year. (5)
12. Cedric died on 1 July 2024. He held some company shares which pay dividends twice a year. In the 2024/2025 tax year, a payment of £720 was made on 30 April and a payment of £480 was made on 1 September.
- Explain the responsibilities of the personal representatives of Cedric's estate in respect of the payment of Income Tax on the dividends received from the company shares in the 2024/2025 tax year. (8)
13. Explain the process required for the shareholding directors of a company to take out life insurance under a business trust, as part of a share purchase arrangement in the event of their death. (9)
14. (a) Describe how a flexible reversionary trust operates. (7)
- (b) State **three disadvantages** of using a flexible reversionary trust compared to a discounted gift trust. (3)
15. State **eight** examples of disputes between the trustees and the beneficiaries that may require a trust to be reviewed. (8)

**NOTE ON MODEL ANSWERS**

The model answers given are those which would achieve maximum marks. However, there are alternative answers to some question parts which would also gain high marks. For the sake of clarity and brevity not all of these alternative answers are shown. An oblique (/) indicates an equally acceptable alternative answer.

**Model answer for Question 1**

**Legal Ownership**

*Candidates would have gained full marks for any six of the following:*

- Trustees are the legal owners of a trust's property.
- Trust property should be registered in the trustees' names.
- The trustees cannot use the trust property for their own benefit.
- They must use it for the benefit of the beneficiaries.

**Beneficial Ownership**

- Beneficiaries have beneficial/equitable ownership.
- Beneficiaries have economic rights/use from trust property.
- Income/gains from the trust assets belong to the beneficiaries.

**Model answer for Question 2**

**(a)** *Candidates would have gained full marks for any four of the following:*

- A trustee can retire without being replaced;
- using a deed of retirement;
- providing there are at least two trustees remaining;
- or a trust corporation;
- and/or the co-trustees and appointor consent to the deed.

**(b)**

- The appointor can appoint new trustees.
- If there is no appointor/if the appointer has died;
- the personal representatives of the sole trustee can act as trustees;
- or appoint replacement trustees under section 36 of the Trustee Act 1925.

**Model answer for Question 3**

**Benefits**

*Candidates would have gained full marks for any five of the following:*

- Nia/the trustees will have the flexibility to decide which of the grandchildren benefit;
- when they receive their share;
- and in what percentage share.
- Nia/the settlor can be a trustee and retain some control.
- Unborn grandchildren can benefit.
- Protection against bankruptcy/divorce/spendthrifts.

**Drawbacks**

*Candidates would have gained full marks for any five of the following:*

- There will be an immediate charge to IHT;
- as the amount of the gift exceeds the nil rate band.
- Periodic;
- and exit charges may apply.
- Income and gains may be taxed at the higher trustee rates instead of the beneficiaries' rates.
- They are more complex/potentially costly to operate.

**Model answer for Question 4**

- (a)
- Execution of a deed.
  - Created or implied by statute.
  - Created by court order.
  - Implied/unwritten.
- (b)
- The perpetuity period is 125 years.
  - Income can be accumulated for the whole of the trust period/indefinitely.
  - A shorter trust period can be chosen and incorporated in the trust.

**Model answer for Question 5**

- (a) *Candidates would have gained full marks for any five of the following:*
- A trust created on or after 22 March 2006;
  - by will;
  - or intestacy;
  - upon the death of the testator/settlor;
  - which gives a beneficiary an immediate interest in possession/right to income;
  - and the remaindermen will receive the capital.
- (b) *Candidates would have gained full marks for any three of the following:*
- There would be no IHT on first death due to the spousal exemption.
  - The value of the trust fund will be included in the estate of the spouse.
  - The nil rate band of the first to die would not be used;
  - and could be transferred to their spouse.

**Model answer for Question 6**

*Candidates would have gained full marks for any eight of the following:*

- A charitable trust cannot be void for uncertainty.
- A charitable trust is not subject to the general law on perpetuities/it can continue indefinitely.
- It can be varied if it becomes obsolete.
- If a charitable trust becomes impracticable, it will not fail;
- and the property can be applied to another charitable purpose;
- as close as possible to the original one/cy-près doctrine.
- There is a restriction on accumulations for charitable trusts for a maximum of 21 years/or for the life of the settlor;
- unless the court/Charity Commission provide for a different period of accumulation.
- Charitable trusts are not liable to tax.

**Model answer for Question 7**

- (a)
- The donor and attorney must be aged 18 or over.
  - The donor must have mental capacity.
  - The LPA must be in the prescribed form.
  - The LPA must state the donor and attorney have read the prescribed information and understand their duties.
  - There must be a certificate from a prescribed person.
  - Neither the donor or the attorney can be bankrupt.
- (b)
- The LPA must be registered;
  - with the Office of the Public Guardian (OPG).
  - A fee is usually payable upon registration/£82.

**Model answer for Question 8**

- (a)
- Maria/Spouse will take personal chattels (e.g. car, furniture, pictures, clothing, jewellery etc.);
  - a statutory legacy of £322,000;
  - and half of the residue/£139,000 absolutely.
  - Adult children (or issue) will take the remaining half/£139,000 of the residue absolutely.
  - In equal shares/£69,500.
- (b)
- An administrator is responsible for distributing the estate.
  - They must apply to the Probate Court/registry;
  - for grant of representation/letters of administration.

**Model answer for Question 9**

- (a) *Candidates would have gained full marks for any eight of the following:*
- Jack must be over 18;
  - and of sound mind.
  - The deed must be in writing;
  - referring to the Will being varied;
  - and must be executed within 2 years of his father's death.
  - It must be signed by Jack/all those who would have benefitted under the original provisions of the Will;
  - and include a statement that the variation is to have effect for IHT as if his father had made it.
  - The deed must be signed by his father's personal representatives if the variation increases the IHT payable on his estate.
  - There must be no consideration for money or monies worth.
- (b) *Candidates would have gained full marks for any four of the following:*
- Jack will be the settlor for Income Tax purposes.
  - The Parental Settlement Rules will apply;
  - and any income exceeding £100 in a tax year;
  - will be taxed at Jack's marginal rates;
  - whilst Daniel is under 18.

**Model answer for Question 10**

- (a) *Candidates would have gained full marks for any four of the following:*
- Alfonso can continue to act as a trustee.
  - If the settlor/other trustees consider he is no longer suitable to act as trustee;
  - they can remove/replace him as a trustee;
  - using any powers in the trust;
  - or under section 36 of the Trustee Act 1925.
- (b)
- The Trustee in Bankruptcy (TIB) cannot access the trust assets;
  - as Alfonso has no right to income or capital from the trust.

**Model answer for Question 11**

- (a) (i) £375,000 - £6,000 (annual gift exemption x 2) = £369,000  
 £369,000 - £325,000  
 = £44,000  
 x 20%  
 = £8,800
- (ii)
- The IHT is higher if Ahmed pays the tax.
  - The gift is grossed up;
  - as the tax charge is based on the total loss to Ahmed's estate.
- (b)
- The trustees are potentially liable to CGT;
  - on any gain in excess of the annual exempt amount of £1,500;
  - divided by 2 as Ahmed has created two discretionary trusts
  - = £750
  - at the trustee rate of 20%.

**Model answer for Question 12**

- The payment of £720 was received before Cedric died;
- and is taxable as his income.
- The personal representatives are responsible for paying the tax.
- They can use his dividend allowance/£500.
- The excess is taxed at Cedric's marginal rate.
- The payment of £480 was received after Cedric died/during the period of the administration of the estate;
- and is not taxable;
- as it falls within the £500 *de minimis* for low income estates.

**Model answer for Question 13**

*Candidates would have gained full marks for any nine of the following:*

- Each shareholder takes out a policy on their own life;
- for the value of their shares in the company;
- issued under a business trust for the benefit of the other shareholders.
- The trust is usually a discretionary trust.
- The settlor could be included as a beneficiary to enable the benefits to revert to the settlor should they leave the business.
- Non-shareholding spouses/dependants of the settlor are excluded from benefitting.
- There is usually a cross option/double option agreement in place;
- giving the surviving shareholders the option to buy the deceased's shares;
- and the deceased's personal representatives have the option to sell the shares.
- If either party exercises their option to buy/sell the other party must comply.
- The proceeds from the life policy in the event of death will be used to buy the shares of the deceased shareholder.

**Model answer for Question 14**

**(a)** *Candidates would have gained full marks for any seven of the following:*

- Settlor makes a Chargeable Lifetime Transfer (CLT) gift into a flexible reversionary trust.
- The gift is segmented into a series of policies/investments.
- Each segment of policies/investments will have a 'maturity date';
- which start from the first anniversary and are usually spread over a ten-year period.
- If the trustees do not defeat the maturities, then the proceeds will be paid to the settlor.
- If the trustees defeat the maturities, then they extend the maturity date to a later date.
- The settlor's right to receive the maturities has no value as the trustees have the power to defeat the maturities.
- Because the extension option is exercised by the trustees, any extensions are not treated as new gifts by the settlor.
- Any of the maturities can be paid out by the trustees to beneficiaries at any time, not just at maturity dates.
- A discount is not available on the gift as it is not possible to quantify any income the settlor may receive.
- The gift is outside of the settlor's estate after 7 years.
- No Pre-owned asset tax (POAT)/Gift with reservation (GWR).

**(b)** *Candidates would have gained full marks for any three of the following:*

- Should the settlor die within the initial seven years, the whole gift will be included in the IHT calculation as there is no discount at the outset;
- the settlor is limited to investing up to the available nil rate band if they want to avoid a lifetime tax charge (20%).
- Any growth realised on the policy maturities/surrenders/investments may be subject to an income tax charge/CGT charge.
- There is no ability to utilise the 5% tax-deferred allowance with a single premium bond available during the settlor's lifetime.
- It is available as single settlor only.

**Model answer for Question 15**

- The trustees commit a breach of trust/do not adhere to trust deed.
- The trust investment has not performed as expected/the trustees have not taken appropriate investment advice.
- The trustees error/mistake requiring correction.
- The trustees act dishonestly.
- Trustee is unwilling to act;
- or is incapable of acting.
- Beneficiary feels they are being unfairly treated in relation to another beneficiary.
- Trustees have not observed the required standard of care in exercising their powers or discretion.

## Glossary of terms

*Some abbreviations candidates can use in financial planning online exams:*

- ATR – Attitude to risk
- AEA – Annual Exempt Amount
- BRT – Basic rate taxpayer
- BIK – Benefit in kind
- CLT – Chargeable lifetime transfer
- CFL – Capacity for loss
- CGT – Capital Gains Tax
- DOV – Deed of variation
- DIS – Death-in-Service
- DFM – Discretionary Fund Manager
- ESG – Environmental, Social and Governance
- EPT – Excluded property trust
- EPA – Enduring power of attorney
- ERC – Early repayment charges
- FAD – Flexi-access drawdown
- FSCS – Financial Services Compensation Scheme
- FOS – Financial Ombudsman Service
- GAR – Guaranteed annuity rate
- GWR – Gift with reservation
- HRT – Higher-rate taxpayer
- IHT – Inheritance Tax
- IT – Income Tax
- LPA – Lasting power of attorney
- LTA – Lifetime allowance
- MVR – Market value reduction
- MPAA – Money purchase annual allowance
- NICs – National Insurance contributions
- NPA – Normal pension age
- NRA – Normal retirement age
- NRB – Nil rate band
- OPG – Office of the Public Guardian
- OEIC – Open ended investment company
- PAYE – Pay As you Earn
- PPP – Personal pension plan
- PCLS – Pension commencement lump sum
- PA – Personal allowance
- PSA – Personal savings allowance
- POAT – Pre-owned asset tax
- PET – Potentially Exempt Transfer
- RAC – Retirement annuity contract
- RNRB – Residence nil rate band
- SIPP – Self-invested personal pension plan
- SEIS – Seed Enterprise Investment Scheme
- SRB – Standard rate band
- TIB – Trustee in Bankruptcy
- UFPLS – Uncrystallised funds pension lump sum
- VCT – Venture capital trust

September 2024 Examination - J02 Trusts	
Question Number	Syllabus learning outcomes being examined
1.	1. Explain the structure of a trust and the roles of the main parties.
2.	1. Explain the structure of a trust and the roles of the main parties.
3.	1. Explain the structure of a trust and the roles of the main parties.
4.	2. Explain how trusts are created.
5.	2. Explain how trusts are created.
6.	3. Explain the rules covering the investment of trust assets and the administration of trusts.
7.	4. Explain substituted decision making.
8.	5. Explain the use of Wills and the consequences of dying intestate.
9.	5. Explain the use of Wills and the consequences of dying intestate.
10.	6. Explain the role of the trustee in bankruptcy.
11.	7. Analyse how trusts are subject to tax.
12.	7. Analyse how trusts are subject to tax.
13.	8. Explain how life, pension and other investments can be placed in trust, and the tax implications.
14.	9. Apply effective trust and related tax planning solutions.
15.	9. Apply effective trust and related tax planning solutions.

**All questions in the February 2025 paper will be based on English law and practice applicable in the tax year 2024/2025, unless stated otherwise and should be answered accordingly.**

**The Tax Tables which follow are applicable to the September 2024 and February 2025 examinations.**

## INCOME TAX

RATES OF TAX	2023/2024	2024/2025
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£37,700	£37,700
Threshold of taxable income above which additional rate applies	£125,140	£125,140
High income child benefit charge:	1% of benefit per £200 of adjusted net income between £60,000 – £80,000	

\*Only applicable to savings income that falls within the first £5,000 of income in excess of the personal allowance.

Personal savings allowance (for savings income):

Basic rate taxpayers	£1,000	£1,000
Higher rate taxpayers	£500	£500

Additional rate taxpayers	Nil	Nil
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Dividend Allowance	£1,000	£500
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Dividend tax rates		
Basic rate	8.75%	8.75%
Higher rate	33.75%	33.75%
Additional rate	39.35%	39.35%

Trusts

Standard rate band	£1,000	n/a
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Income exemption up to**	n/a	£500
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Rate applicable to trusts		
- dividends	39.35%	39.35%
- other income	45%	45%

\*\* Where net income exceeds £500, the full amount is subject to Income Tax.

### MAIN PERSONAL ALLOWANCES AND RELIEFS

Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic) §	£12,570	£12,570
Married/civil partners (minimum) at 10% †	£4,010	£4,280
Married/civil partners at 10% †	£10,375	£11,080
Marriage Allowance	£1,260	£1,260
Income limit for Married Couple's Allowance †	£34,600	£37,000
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£2,870	£3,070
Enterprise Investment Scheme relief limit on £2,000,000 max***	30%	30%
Seed Enterprise Investment relief limit on £200,000 max	50%	50%
Venture Capital Trust relief limit on £200,000 max	30%	30%

§ The Personal Allowance reduces by £1 for every £2 of income above the income limit irrespective of age (under the income threshold).

† where at least one spouse/civil partner was born before 6 April 1935. Married couple's/civil partners' allowance reduced by £1 for every £2 of adjusted net income over £37,000 (£34,600 for 23/24) until minimum reached.

\*\*\* Investment above £1,000,000 must be in knowledge-intensive companies.

## NATIONAL INSURANCE CONTRIBUTIONS

### Class 1 Employee

Weekly

Lower Earnings Limit (LEL)	£123
Primary threshold	£242
Upper Earnings Limit (UEL)	£967

### Total earnings £ per week

### CLASS 1 EMPLOYEE CONTRIBUTIONS

Up to 242.00*	Nil
242.00 – 967.00	8%
Above 967.00	2%

*\*This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £123 per week. This £123 to £242 band is a zero-rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. the New State Pension.*

### Total earnings £ per week

### CLASS 1 EMPLOYER CONTRIBUTIONS

Below 175.00**	Nil
Over £175.00	13.8%

*\*\*Secondary threshold.*

### CLASS 2 (self-employed)\*

Flat rate per week	£3.45
Small profits threshold per year	£6,725

Class 2 contributions are credited automatically where profits equal or exceed £6,725 per annum.  
 Class 2 contributions can be made voluntarily where profits are below £6,725 per annum.

### Class 3 (voluntary)

Flat rate per week £17.45.

### Class 4 (self-employed)

6% on profits between £12,570 and up to £50,270.  
 2% on profits above £50,270.

## PENSIONS

TAX YEAR	LIFETIME ALLOWANCE
2012/2013 & 2013/2014	£1,500,000
2014/2015 & 2015/2016	£1,250,000
2016/2017 & 2017/2018	£1,000,000
2018/2019	£1,030,000
2019/2020	£1,055,000
2020/2021 – 2023/2024*	£1,073,100

\*Lifetime allowance removed from 6 April 2024.

	2023/2024	2024/2025
Lump sum and death benefit allowance (LSDBA)	n/a	£1,073,100
Lump sum allowance (LSA)	n/a	£268,275

LSA and LSDBA may be higher if transitional protections are available.

Where pension benefits were crystallised prior to 6 April 2024 the LSA and LSDBA may be reduced.

Money purchase annual allowance	£10,000	£10,000
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ANNUAL ALLOWANCE	
TAX YEAR	ANNUAL ALLOWANCE
2014/2015 – 2022/2023	£40,000*
2023/2024	£60,000**
2024/2025	£60,000**

\*From 6 April 2016 the annual allowance is reduced for those with income above a certain level. Between 2020/21 and 2022/23 the annual allowance will be reduced by £1 for every £2 of 'adjusted income' over £240,000 to a minimum of £4,000 if 'threshold income' is also over £200,000.

\*\*Reducing by £1 for every £2 of 'adjusted income' over £260,000 to a minimum of £10,000 if 'threshold income' is also over £200,000.

ANNUAL ALLOWANCE CHARGE	
20% – 45% determined by the member's taxable income and the amount of total pension input in excess of the annual allowance or money purchase annual allowance.	

## CAPITAL GAINS TAX

ANNUAL EXEMPTIONS	2023/2024	2024/2025
Individuals, estates etc	£6,000	£3,000
Trusts generally	£3,000	£1,500
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000	£6,000
TAX RATES		
Individuals:		
Up to basic rate limit	10%	10%
Above basic rate limit	20%	20%
Surcharge for residential property - Basic Rate	8%	8%
Higher Rate	8%	4%
Surcharge for carried interest	8%	8%
Trustees and Personal Representatives:		
Residential property	28%	24%
Other chargeable assets	20%	20%
Business Asset Disposal Relief*		
Lifetime limit	10%	10%
	£1,000,000	£1,000,000

*\*For trading businesses and companies (minimum 5% employee or director shareholding) if held for at least two years.*

## INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2023/2024	2024/2025
Transfers made on death		
- Up to £325,000	Nil	Nil
- Excess over £325,000	40%	40%
- Reduced rate (where appropriate charitable contributions are made)	36%	36%
Transfers		
- Lifetime transfers to and from certain trusts	20%	20%

MAIN EXEMPTION		
Transfers to		
- UK-domiciled spouse/civil partner	No limit	No limit
- non-UK-domiciled spouse/civil partner (from UK-domiciled spouse)	£325,000	£325,000
- main residence nil rate band*	£175,000	£175,000
- UK-registered charities	No limit	No limit

\*Available for estates up to £2,000,000 and then tapered at the rate of £1 for every £2 in excess until fully extinguished.

Lifetime transfers		
- Annual exemption per donor	£3,000	£3,000
- Annual small gifts exemption per donor	£250	£250

Gifts from surplus income are immediately exempt, as long as they are made from income, are made regularly and do not impact donor's standard of living.

Wedding/civil partnership gifts by		
- parent	£5,000	£5,000
- grandparent/bride and/or groom	£2,500	£2,500
- other person	£1,000	£1,000

100% relief: businesses, unlisted/AIM companies, certain farmland/building

50% relief: certain other business assets

Reduced tax charge on gifts made in excess of the nil rate band within 7 years of death:

- Years before death	0-3	3-4	4-5	5-6	6-7
- Inheritance Tax payable	100%	80%	60%	40%	20%
Quick succession relief:					
- Years since IHT paid	0-1	1-2	2-3	3-4	4-5
- Inheritance Tax relief	100%	80%	60%	40%	20%

## MAIN SOCIAL SECURITY BENEFITS

		2023/2024	2024/2025
		£	£
Child Benefit	First child	24.00	25.60
	Subsequent children	15.90	16.95
	Guardian's allowance	20.40	21.75
Employment and Support Allowance	Assessment Phase		
	Age 16 - 24	Up to 67.20	Up to 71.70
	Aged 25 or over	Up to 84.80	Up to 90.50
	Main Phase		
	Work-related Activity Group Support Group	Up to 84.80* Up to 129.50	Up to 90.50** Up to 138.20
Attendance Allowance	Lower rate	68.10	72.65
	Higher rate	101.75	108.55
Basic State Pension	Category A full rate	156.20	169.50
	Category B (lower) full rate	93.60	101.55
New State Pension	Full rate	203.85	221.20
Pension Credit	Standard minimum guarantee - single	201.05	218.15
	Standard minimum guarantee - couple	306.85	332.95
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Support Payment	Higher rate – First payment	3,500.00	3,500.00
	Higher rate – monthly payment	350.00	350.00
	Lower rate – First payment	2,500.00	2,500.00
	Lower rate – monthly payment	100.00	100.00
Jobseeker's Allowance	Age 18 - 24	67.20	71.70
	Age 25 or over	84.80	90.50
Statutory Maternity, Paternity and Adoption Pay		172.48	184.03

*\*If a claim has begun before 3rd April 2017 the individual will also be awarded the Work-related Activity Component payment which in 2023/2024 is £33.70, so total awarded for these individuals may be up to £118.50.*

*\*\*If a claim has begun before 3rd April 2017 the individual will also be awarded the Work-related Activity Component payment which in 2024/2025 is £35.95, so total awarded for these individuals may be up to £126.45.*

## CORPORATION TAX

	2023/2024	2024/2025
Small profit rate - for taxable profits below £50,000	19%	19%
Main rate - for taxable profits above £250,000	25%	25%

Companies with profits between £50,000 and £250,000 will pay tax at the main rate, reduced by a marginal relief. This provides a gradual increase in the effective Corporation Tax rate.

## VALUE ADDED TAX

	2023/2024	2024/2025
Standard rate	20%	20%
Annual registration threshold	£85,000	£90,000
Deregistration threshold	£83,000	£88,000

## STAMP DUTY LAND TAX

	Residential
Value up to £250,000	0%
£250,001 - £925,000	5%
£925,001 - £1,500,000	10%
£1,500,001 and over	12%

### Additional Stamp Duty Land Tax (SDLT) rules apply as follows:

- *First-time buyers benefit from SDLT relief on first £425,000 for properties up to £625,000 when purchasing their main residence. On purchases up to £425,000, no SDLT is payable. On purchases between £425,001 and £625,000, a flat rate of 5% is charged on the balance above £425,000.*
- *Additional SDLT of 3% may apply to the purchase of additional residential properties purchased for £40,000 or greater.*
- *SDLT may be charged at 15% on interests in residential dwellings costing more than £500,000 purchased by certain corporate bodies or non-natural persons.*
- *SDLT is payable in England and Northern Ireland only. Land Transaction Tax (LTT) is payable in Wales and Land and Buildings Transaction Tax (LBTT) is payable in Scotland. The rates for LTT and LBTT are different to the rates shown above.*

	Non residential
Value up to £150,000	0%
£150,001 and £250,000	2%
£250,001 and over	5%