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You must tick the box below if you have answered this Module.





## The Chartered Tax Adviser Examination

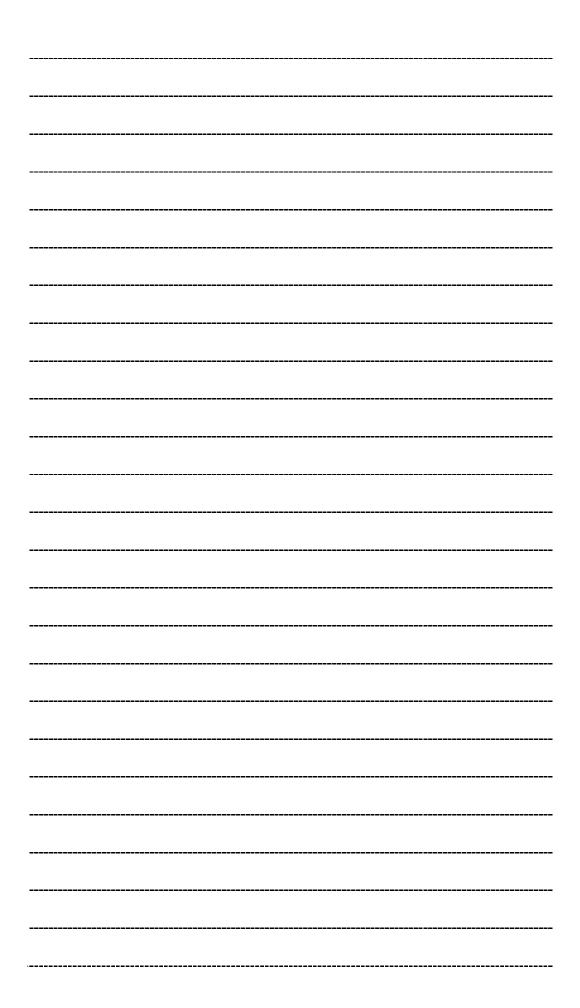
May 2009

## **AWARENESS**

## **MODULE B - INHERITANCE TAX, TRUSTS & ESTATES**

- You should only answer this module if you have not/do not intend to sit the Inheritance Tax, Trusts & Estates Advisory paper.
- Each question carries 5 marks.
- You should answer all the questions from the modules you choose.
- You should answer questions in brief bullet points and/or summary computations where appropriate.
- You must answer questions in the spaces provided.
- You may not need all the space provided.
- You should make all calculations to the nearest month and pound unless stated otherwise.

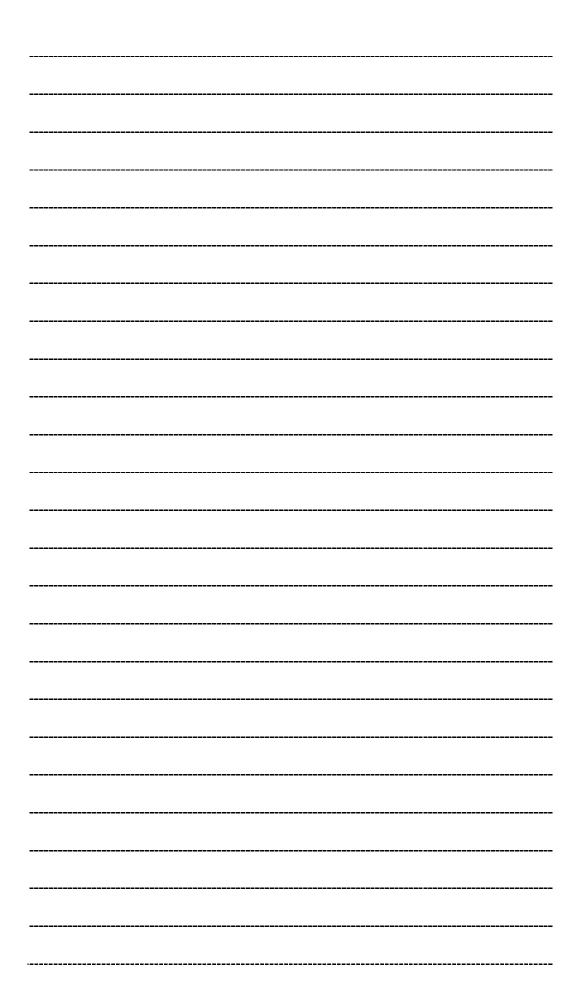
of her es husband	died on 18 May 2007. She left cash of £60,000 to her brother and the restate which comprised residential property and was valued at £450,000, to George. George died on 20 October 2008, when his total death estate, with differential property and cash, was worth £825,000. He left this to
	Margaret nor George had made any lifetime transfers and both were domice UK for Inheritance Tax purposes.
	d calculate where necessary, the Inheritance Tax consequences of essuming any beneficial claims are made.



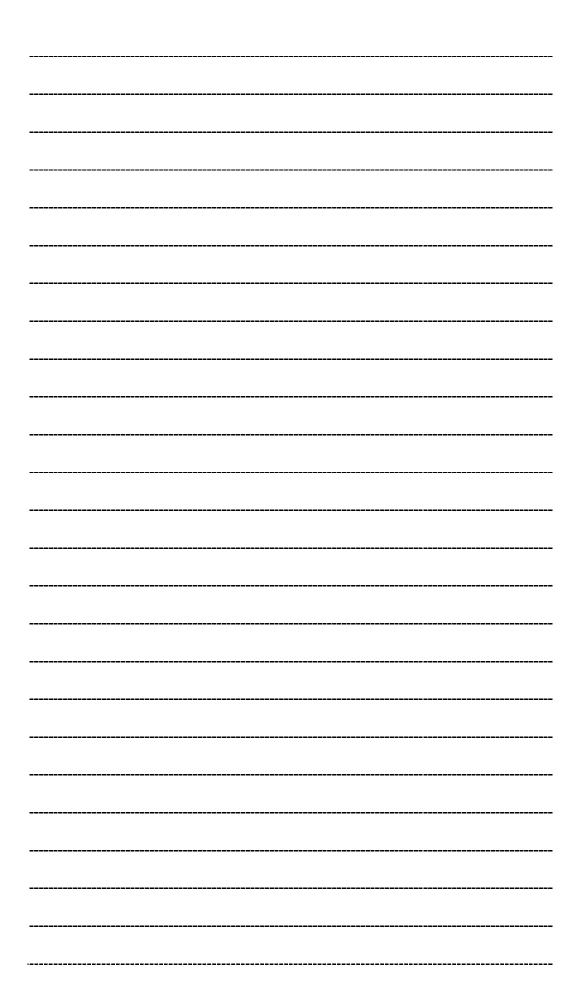
- 2. Jean-Paul had lived in the UK for two years before he died on 10 April 2009. He had always retained his French domicile. At the date of death, he owned the following assets:
  - 1) Birmingham penthouse.
  - 2) Paris home.
  - 3) Shares in Gates Bank plc, quoted on the London Stock Exchange.
  - 4) Loan to his daughter, who lives in France. This was made to help her clear her student debts and is repayable on demand.

On 10 April 2009, the title deeds of both houses, and the share certificates in Gates Bank plc were held by Jean-Paul's solicitor in Paris.

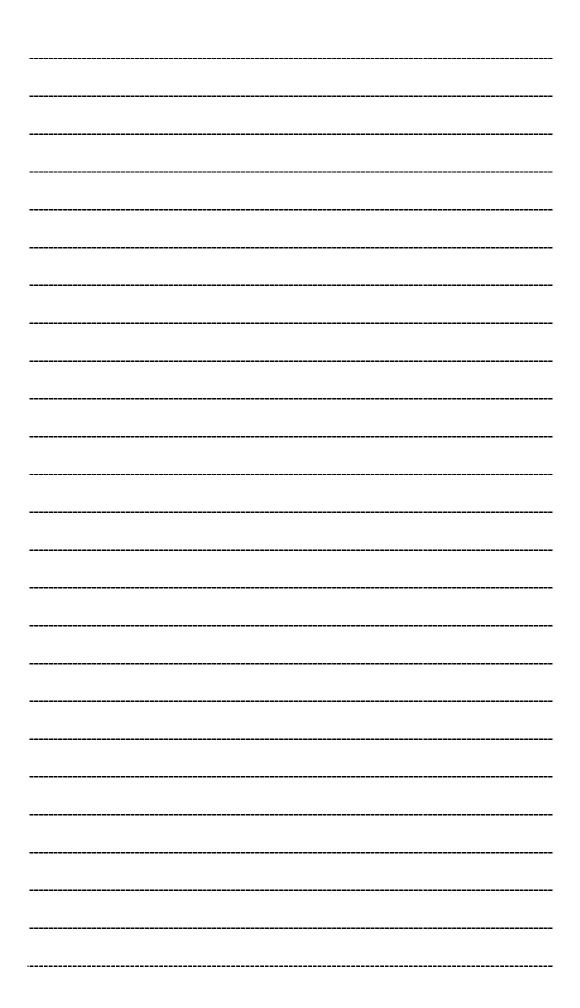
Briefly explain, whether each of the assets listed above should be included in, or excluded from, Jean-Paul's death estate for the purpose of UK Inheritance Tax.



3.	The Robinson Trust was created for the benefit of John and his brother in equal portions. At 6 April 2008, the trust assets consisted of a portfolio of quoted investments and neither of the beneficiaries had an interest in possession.
	On 1 July 2008, John became absolutely entitled to his portion of the trust assets. If the whole of the trust assets had been sold on this date, a gain of £32,000 would have arisen.
	On 1 September 2008, John's portion of the trust assets was sold, by which time a further gain of £10,000 had accrued on this portion.
	Calculate the Capital Gains Tax consequences of the transactions in the year 2008/09, assuming that no other capital disposals were made in the year.



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5.	Jayne gifted £500,000 into a discretionary trust on 10 September 1998. She had made one previous gross chargeable transfer of £57,000 on 19 October 1997.
	On 10 July 2003, the trustees made a gross capital distribution of £100,000 to one beneficiary.
	The value of the trust property at 10 September 2008 was £625,000.
	Calculate the principal charge arising on 10 September 2008.


6.	On 2 January 2008, Mills Forest Ltd, a marketing company began to trade. Elizabeth
	Mills became the managing director, and the shares were held as follows:

20% by a trust in which Elizabeth had the sole interest in possession 40% by Elizabeth 40% by Alfie, the finance director

There were no changes to the officers or shareholdings until 14 March 2009, when the shares held by the trust were sold to a third party investor.

Explain why this disposal qualifies for Entrepreneurs' Relief.

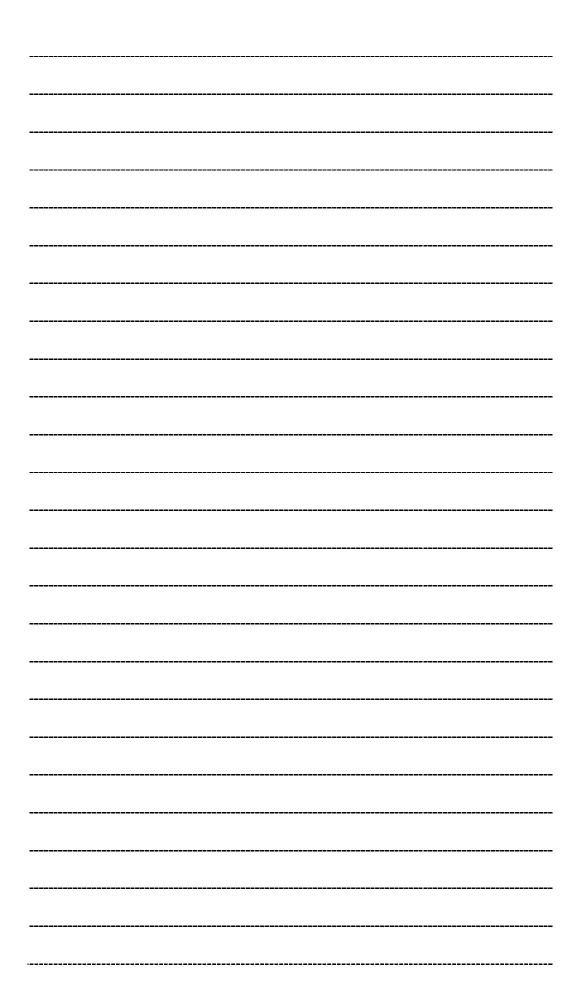
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In the year 2008/9, the Rachel Jones Discretionary Trust received rental income o £8,800, and net dividends of £2,818.
There were no trustee expenses and no distributions were made to beneficiaries.
Calculate the Income Tax payable by the trustees for 2008/9.


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death. Ignore a



The trustees paid the Inheritance Tax due on the gift into trust.  Richard had made no previous lifetime gifts.  Calculate the initial value of the assets in the trust.	£	On 15 October 2008, Richard transferred cash of £400,000 and a property valued at 350,000 into a discretionary trust. The property has been used by Richard and his usiness partners as premises for their accountancy business for many years.
Calculate the initial value of the assets in the trust.	Т	he trustees paid the Inheritance Tax due on the gift into trust.
	R	cichard had made no previous lifetime gifts.
	С	calculate the initial value of the assets in the trust.
	-	


- 12. Sally runs a successful clothing design business, employing two staff members. She carried out the following transactions in the year 2008/9.
  - 1) She sold her holiday home for £210,000. The asking price had been £235,000 but Sally accepted a lower offer as she wanted the money quickly for use in the business.
  - 2) She paid £500 a month for nursing assistance for her elderly father who lives with her.
  - 3) She gave each of her employees a watch worth £650 for Christmas.

State, with brief of transfer of value for	explanations, or Inheritance	whether each Tax purposes	of the tra	nsactions	constitutes a

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