

Draft FB 2015: IHT for trusts

Technical

01 March 2015

HMRC have abandoned their proposal to introduce a single settlement nil-rate band and a flat-rate IHT charge on trusts. It follows objections made by CIOT and the other professional bodies.

The draft legislation is intended to neutralise the previous attractions of multiple pilot trusts, each with their own nil-rate band. This is achieved by extending the hypothetical chargeable transfer upon which the rate at which an exit or 10-yearly IHT charge is calculated from 6 April 2015. When additions are made on the same day to more than one existing trust, for the purpose of calculating the hypothetical chargeable transfer, the values of all those same-day additions and the initial value of property within those recipient trusts are aggregated. We are satisfied that the draft amendments represent a proportionate and measured response to prevent avoidance and to ensure that the same fiscal consequences arise regardless of whether someone settles £1 million into a single trust or multiple trusts on the same day.

In our response at www.tinyurl.com/odo3r5m we drew attention to minor problems in the draft legislation. In particular, it seems anomalous to bring non-relevant property trusts into the same-day additions concept when the same legislation repeals the aggregation of non-relevant trusts in other contexts.