

AF1 trust questions

- 1 Kumar is the life tenant of a Life Interest trust. He has pension income of £16,570 a year.

The trustees receive distributions from a Gilt OEIC of £3,000 and £5,000 from an equity based unit trust and mandate these to Kumar

Explain the impact of these payments on Kumar's tax position

- 2 The trustees of a discretionary trust have received a £20,000 gross dividend payment. This is the first payment they have received and they plan to retain this in the trust

Calculate **showing all your workings**, the tax liability of the trustees

- 3 The trustees of a discretionary trust have received £5,000 dividend. They have used up the £1,000 basic rate and now wish to pay this to a beneficiary who is a higher rate tax payer. They have sufficient in the tax pool to cover the tax credit.

Calculate, **showing all your workings**, the tax payable by the beneficiary on this payment.

- 4 Peter put an on-shore Investment Bond with an initial investment of £100,000 into a discretionary trust 2001. He died in 2014. One of the trustees is UK resident.

The trustees intend to surrender the bond which is now worth £250,000 and give the proceeds to one of the beneficiaries.

Explain who will be liable to pay the tax and calculate the tax that will be charged.

- 5 The trust property of a discretionary trust is £500,600 at its 10th anniversary
- Calculate, showing all your workings the periodic charge and the effective rate.
- 6 The trustees of a Relevant Property Trust propose to gift £200,000 to a beneficiary. The effective rate at the 10th anniversary which was December 1 2015 was 5.62%. The gift will be made on May 2 2022
- Calculate, **showing all your workings**, the exit charge
- 7 Rosa is the sole beneficiary of her late father's estate. This was put into an 18-25 trust
- The trustees are now proposing to wind up the trust and give her £600,000 on her 22nd birthday
- 8 Norma is the sole beneficiary of her late husband's Immediate Post Death Interest Trust.
- On her death the value of the trust property was £400,000 and her own estate was £600,000.
- Norma's executors can claim 100% of her husband's NRB. Calculate, **showing all your workings**, the IHT liability and who is responsible for paying this.
- 9 Helen is the beneficiary of an IIP trust. The trustees have received £20,000 in Gilt income and £8,000 in dividend income. They have incurred TME of £900. Calculate the tax payable by the trustees. Calculate both the gross and net income together with the tax credit they will give to Helen.