

Quick reference guide – Who pays tax within a Trust?

This table gives a general overview of the taxation within a trust and who is liable to pay the tax. There will be circumstances which will involve more detailed information for taxation (for example non-resident settlor or trustees) which are beyond the scope of this guide. Further guidance on these areas and others can be found [here](#). Where applicable, trust rules relating directly to Quilter products have been made clear.

| Trustees allowances | CGT <i>Trustees allowance 6,150, Rate 20% (28% property)</i> | Income <i>Trustees allowance £1,000 at 20% all other income 45%</i> | Bond - Chargeable Gains <i>Trustees allowance £1,000 at 20% all other income 45%</i> | Ongoing IHT- and exit <i>Trustees allowance £325,000. Periodic, entry and exit charge calculations link here</i> |
|---|--|--|---|---|
| Interest in Possession (IIP). | Trustees – 20% . | Trustees need to report (20%). The beneficiary receives the income net of basic rate tax. Depending on their own circumstances, they may be able to reclaim tax, or may have a further liability. Alternatively, if the income is mandated directly to the beneficiary, they pay marginal rate . | Settlor during lifetime and tax year of death (marginal rate). Trustees in tax year after death onwards 45% . | Qualifying IIP*** No periodic or exit charges apply. However, the trust property forms part of the life tenant's estate for IHT purposes. Non-Qualifying IIP***on trustees using periodic charges. Max 6% . However, does not form part of the life tenant's estate for IHT. |
| Bare/Absolute. | Beneficiary – Marginal rate . | Beneficiary marginal rate* . | Beneficiary marginal rate* . | Trust fund within the deceased beneficiary's estate. |
| Relevant Property Trust via Deed of variation. | Trustees – 20% . | Settlor not interested – Trustees 45% . Settlor interested – Settlor (can be complex, see discretionary trust settlor included below). | Settlor during lifetime and tax year of death (marginal rate). Trustees in tax year after death onwards 45% . | Trustees using periodic charges. Max 6% . |
| Discretionary Trust – settlor included as a beneficiary. | Trustees – 20% . | Generally settlor marginal rate . Can be complex – if settlor only has a partial interest they are only liable for that and trustees liable for other tax 45%.** | Settlor during lifetime and tax year of death marginal rate . Trustee in tax year after death onwards 45% . | Trustees using periodic charges for the value of the gift for periodic and exit charges. Max 6%. AND Gift with reservation - trust property is part of the settlor's estate for IHT. |
| Discretionary Trust – settlor excluded from benefiting. | Trustees – 20% . | Trustees – 45% . | Settlor during lifetime and tax year of death marginal rate . Trustee in tax year after death onwards 45% . | Trustees using periodic and exit charges. Max 6% . |
| Loan Trust – Bare (Quilter). | Will be bond – no CGT | Will be bond – no interest/dividend | Beneficiary beneficiary's marginal rate . | On the deceased beneficiary's estate less any outstanding loan. |

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|--|--|---|---|--|
| Loan Trust – Discretionary (Quilter). | Will be bond – no CGT | Will be bond – no interest | Settlor during lifetime and tax year of death marginal rate . Trustee in tax year after death onwards 45% . | Trustees using periodic charges on value less outstanding loan. Max 6% . |
| DGT – Bare (Quilter). | Will be bond – no CGT | Will be bond – no interest | Settlor during lifetime for the retained part of fund marginal rate . Beneficiary for the gifted part of fund marginal rate . | On the deceased beneficiary's estate after discounting to remove the settlor's share. |
| DGT – Discretionary (Quilter). | Will be bond – no CGT | Will be bond – no interest | Settlor during lifetime and tax year of death marginal rate . Trustee in tax year after death onwards 45% . | Trustees using periodic charges after discounting to remove the settlor's share. Max 6% . |
| Lifestyle. | Will be bond – no CGT | Will be bond – no interest | Settlor during lifetime and tax year of death marginal rate . Trustee in tax year after death onwards 45% . | Trustees using periodic charges. Max 6% . |

~ Potential entry charges. Gifts made into a relevant property trust may be subject to entry charges when the combined gifts to these types of trust exceed the nil rate band in a 7-year period. Periodic, entry and exit charge calculations link [here](#).

* If the beneficiary is an unmarried minor and the settlor is the parent and income is over 100 then taxed on the parent (**marginal rate**).

** Trustees pay 45% / 39.35% Settlor adds income to their own return with the trustee's tax credit. If the settlor's rate is lower, they reclaim the tax. Pay the reclaim to the trustees. If income is then paid to the beneficiary, they can claim to have had a tax credit of 45%, but cannot reclaim any tax.

*** Qualifying IIP: One which was created before March 22nd 2006 and has not been amended since 6th October 2008 OR an IIP created as in a Will or valid deed of variation, which gives the life tenant an Immediate Post Death Interest (IPDI).

Non-Qualifying IIP: One created before March 22nd 2006 which has been amended since 6th October 2008. Or an IIP created post March 22nd 2006 which does not give the life tenant an IPDI.

Notes: Gifting allowances and entry/exit charges have not been discussed. All allowances for CGT, income and IHT mentioned above for all relevant property trusts will be split equally between the number of trusts a settlor has up to a maximum division of 5. Individuals may have the ability to make exempt gifts into trusts and the may also be taxes on gifting into the trust which are not covered here. This table is designed for general guidance only and some situations can be complex.

This document is based on Quilter's interpretation of the law and HM Revenue and Customs practice as at April 2022. We believe this interpretation is correct, but cannot guarantee it. Tax relief and the tax treatment of investment funds may change.

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