



## Discretionary Trust tax calculator

*User Guide*

# The Discretionary Trust Calculator

## **What is the discretionary trust calculator?**

Once downloaded, the calculator shows the impact of the:

- Entry Charge on a gift into a discretionary trust
- Periodic Charge application at 10 year intervals
- Exit Charge on payments to beneficiaries.

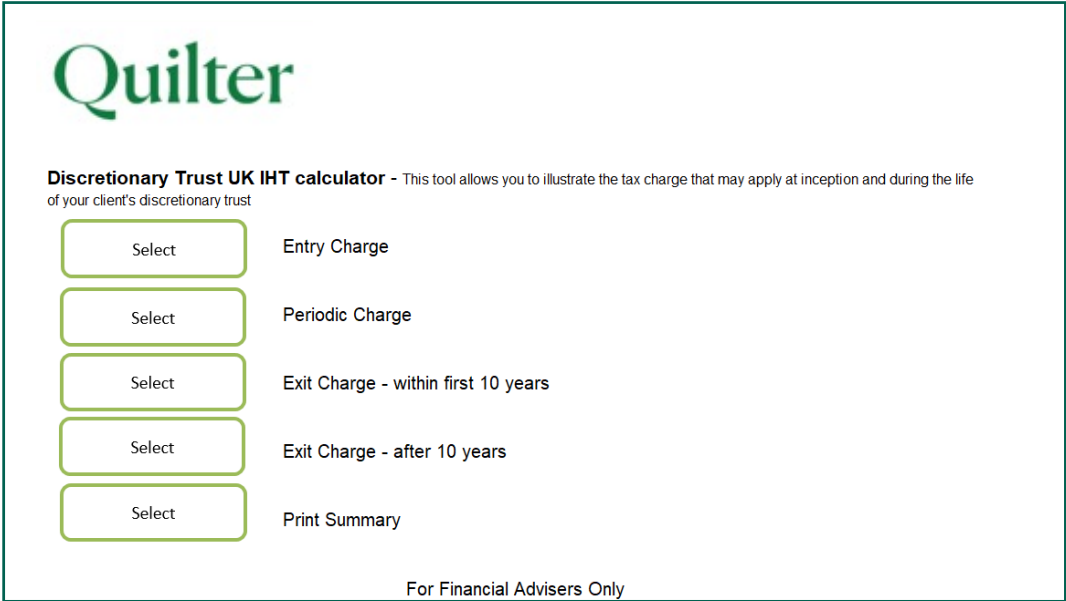
## **What can it be used for?**

The calculator can help you to:

- show your client the charges associated with a proposed discretionary trust
- help the trustees understand the tax charge at a forthcoming anniversary
- demonstrate the 'total loss' to the trust fund as a result of a payment to a beneficiary.

# How to use: Menu page

Select the type of charge you would like to calculate



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**Discretionary Trust UK IHT calculator** - This tool allows you to illustrate the tax charge that may apply at inception and during the life of your client's discretionary trust

Select	Entry Charge
Select	Periodic Charge
Select	Exit Charge - within first 10 years
Select	Exit Charge - after 10 years
Select	Print Summary

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# How to use: Entry Charge

## This page shows the immediate tax liability on a gift into a discretionary trust – Chargeable Lifetime Transfer

You need the following information to complete this page:

- Amount of proposed gift
- Any previous gifts into discretionary trusts
- Current nil rate band
- The amount of any unused annual gift exemption (maximum of £6,000 which is two years' exemptions)

The tool will show you the entry charge payable for the proposed gift.

As the tax is calculated on the loss to the estate, the outcome is different depending on who is paying the tax.

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<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Proposed Chargeable Lifetime Transfer (CLT)<sup>1</sup></td> <td style="width: 20%; border: 1px solid black; text-align: center;">£0.00</td> </tr> <tr> <td>Previous CLT's in last 7 years<sup>2</sup></td> <td style="border: 1px solid black; text-align: center;">£0.00</td> </tr> </table>	Proposed Chargeable Lifetime Transfer (CLT) <sup>1</sup>	£0.00	Previous CLT's in last 7 years <sup>2</sup>	£0.00	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current nil rate band</td> <td style="width: 20%; border: 1px solid black; text-align: center;">£0.00</td> </tr> <tr> <td>Unused annual exemption</td> <td style="border: 1px solid black; text-align: center;">£0.00</td> </tr> </table>	Current nil rate band	£0.00	Unused annual exemption	£0.00
Proposed Chargeable Lifetime Transfer (CLT) <sup>1</sup>	£0.00								
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Current nil rate band	£0.00								
Unused annual exemption	£0.00								
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">CLT Entry Charge (trustees pay)</td> <td style="width: 20%; border: 1px solid black; text-align: center;">£0</td> </tr> <tr> <td>CLT Entry Charge (settlor pays)</td> <td style="border: 1px solid black; text-align: center;">£0</td> </tr> </table>	CLT Entry Charge (trustees pay)	£0	CLT Entry Charge (settlor pays)	£0	<div style="margin-bottom: 5px;"><a href="#" style="border: 1px solid green; padding: 2px 10px; text-decoration: none; color: green;">Print Summary</a></div> <div><a href="#" style="border: 1px solid green; padding: 2px 10px; text-decoration: none; color: green;">Back to Menu</a></div>				
CLT Entry Charge (trustees pay)	£0								
CLT Entry Charge (settlor pays)	£0								

<sup>1</sup> The amount that is being gifted into the discretionary trust  
<sup>2</sup> Any previous gifts into discretionary trusts

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# How to use: Periodic Charge

## This page shows the tax liability on the 10th (or 20th, 30th etc.) anniversary of a discretionary trust

You need the following information to complete this page:

- Value of trust fund on the day before the anniversary
- Historic value (when they were made) of gifts into a related settlement\*
- Historic value of same-day additions\*\*
- Current nil rate band
- Previous gifts into discretionary trusts which are not considered related
- Payments to beneficiaries in the 10 years before this charge which themselves were liable to an IHT charge

The tool will show you the tax charge payable by the trustees.

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Value of relevant property <sup>1</sup>	£0.00	Current nil rate band	£0.00
Gifts into related settlements <sup>2</sup>	£0.00	Previous Chargeable Lifetime Transfers <sup>4</sup>	£0.00
Value of same day additions <sup>3</sup>	£0.00	Chargeable payments to beneficiaries in last 10 years <sup>5</sup>	£0.00
Effective rate	0.00%	Settlement rate	0.00%
IHT charge at 10 year	£0*		

[Print Summary](#)  
[Back to Menu](#)

<sup>1</sup> Value of fund held by trustees of discretionary trust the day before the 10th anniversary  
<sup>2</sup> Trusts are related if the settlor is the same and they were declared on the same day or an addition has been made on the same day to both trusts. This is the historic value of the gift(s) excluding the addition as this is entered below  
<sup>3</sup> The value that has been added to another relevant property trust created by the same settlor on the same day as an addition made to this settlement  
<sup>4</sup> Historic value of any gifts made into other discretionary trusts 7 years prior to the creation of this settlement which are not considered related  
<sup>5</sup> The value of any distributions to beneficiaries where proportionate charges were imposed in the ten years before this periodic charge

\* Relief against the tax rate at the ten year anniversary when the whole or part of the trust fund has not been relevant property for the full preceding ten years might be available but is beyond the scope of this tool

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### \*Related settlement

Trusts are 'related' if the settlor is the same and they were created on the same day or an addition has been made on the same day to both trusts.



### \*\*Same day additions

The value that has been added to another relevant property trust created by the same settlor on the same day as an addition made to this settlement

# How to use: Exit Charge for payments to beneficiaries in the first 10 years of the trust

## This page shows the tax liability on payments to beneficiaries

You need the following information to complete this page:

- Amount of gift into trust
- Gifts into related settlements\*
- Additional values added to this trust since inception
- Value of same day additions\*\*
- Current nil rate band
- The amount of any unused annual gift exemption (maximum of £6,000 which is two years' exemptions)
- Any previous gifts into discretionary trusts
- Number of complete quarters since inception and time of payment
- Distribution/payment amount

The tool will show you the tax charge payable by the trustees. The amount differs if deducted from the payment or if it is deducted from the remaining trust fund.

## Quilter

Initial value of gift into trust	£0.00	Nil rate band	£0.00
Gifts into related settlements <sup>1</sup>	£0.00	Previous Chargeable Lifetime Transfers <sup>3</sup>	£0.00
Additional values gifted into trust since setup	£0.00	Number of complete quarters since inception	0
Value of same day additions <sup>2</sup>	£0.00		
Effective rate	0.00%	Exit rate	0.00%
Distribution amount <sup>4</sup>	£0.00	IHT charge on exit if tax deducted from payment	£0*
		IHT charge on exit if tax deducted from trust fund	£0*

[Print Summary](#)  
[Back to Menu](#)

<sup>1</sup> Trusts are related if the settlor is the same and they were declared on the same day or an addition has been made on the same day to both trusts. This is the historic value of the gift(s) excluding the addition as this is entered below  
<sup>2</sup> The value that has been added to another relevant property trust created by the same settlor on the same day as an addition made to this settlement  
<sup>3</sup> Any previous gifts into discretionary trusts in the 7 years prior to this settlement which are not related  
<sup>4</sup> This is the payment amount  
 \* Relief against the tax rate when the whole or part of the trust fund has not been relevant property for the full preceding ten years might be available but is beyond the scope of this tool

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### \*Related settlement

Trusts are 'related' if the settlor is the same and they were created on the same day or an addition has been made on the same day to both trusts.



### \*\*Same day additions

The value that has been added to another relevant property trust created by the same settlor on the same day as an addition made to this settlement

# How to use: Exit Charge for payments to beneficiaries after 10 years

## This page shows the tax liability on payments to beneficiaries

You need the following information to complete this page:

- Distribution/payment amount
- Number of complete quarters since last 10 year charge/calculation
- The settlement rate at the last 10 year calculation

The tool will show you the tax charge payable by the trustees. The amount differs if deducted from the payment or if it is deducted from the remaining trust fund.

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<p>Distribution amount <sup>1</sup> <input style="width: 80px;" type="text" value="£0.00"/></p> <p>Settlement rate at previous periodic charge<sup>2</sup> <input style="width: 80px;" type="text" value="0.00%"/></p>	<p>Number of complete quarters since last periodic charge <input style="width: 80px;" type="text" value="0"/></p> <p>IHT charge on exit if deducted from payment <input style="width: 80px;" type="text" value="£0"/></p> <p>IHT charge on exit if deducted from trust fund <input style="width: 80px;" type="text" value="£0"/></p>
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<sup>1</sup> This is the payment amount  
<sup>2</sup> This should be reworked if the nil rate band has changed since the last 10 year calculation or additions have been made to this settlement or a related settlement  
 \* Relief against the tax rate when the whole or part of the trust fund has not been relevant property for the full preceding ten years might be available but is beyond the scope of this tool

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# How to use: Print Summary

## Print summary must be selected from the menu page or from any of the calculation pages

It shows a summary of the data entered and respective tax charge for each calculation carried out.

The page must be printed to provide a summary of the discussion you have had with your client.

**UK discretionary trust tax summary - For Financial Advisers Only**

**Date prepared**  
07/06/2024

Back to Menu

**Entry charge summary**

Gift into trust	£0.00
Previous Chargeable Lifetime Transfers	£0.00
Nil rate band	£0.00
Available annual exemption	£0.00
Entry Charge trustees pay	£0
Entry Charge settlor pays	£0
<b>Periodic Charge summary</b>	
Value of relevant property	£0.00
Gifts into related settlements	£0.00
Value of same day additions	£0.00
Nil rate band	£0.00
Previous Chargeable Lifetime Transfers	£0.00
Payments left the trust which were liable to exit charge	£0.00
Settlement rate	0.00%
Periodic tax charge	£0
<b>Exit charge summary</b>	
Distribution amount	£0.00
Exit rate	0.00%
Exit Charge if deducted from payment	£0
Exit Charge if deducted from trust fund	£0

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This tool allows you to calculate UK IHT charges applicable to a discretionary trust. Before using this tool you need to obtain information of your clients holdings along with the gifting history of the settlor(s) and any exits or additional investments into the trust.

This tool doesn't take into account any reliefs that may be available for property that hasn't been within the trust for the full 10 years leading up to the periodic charge. For joint settlor cases previous gifts and available nil rate band needs to be included for both settlors.

You should be satisfied that the information you have entered and the results of any calculation are correct, before acting or refraining from acting in reliance upon the information given. We accept no responsibility for any incorrect tax reporting that may arise as a result of your decision to advise your clients following the use of this tool.

This document is based on Quilter's interpretation of the law and HM Revenue and Customs practice as at June 2024. 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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Please be aware that calls and electronic communications may be recorded for monitoring, regulatory and training purposes and records are available for at least five years.

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Quilter Life & Pensions Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Their Financial Services register numbers are 165353 and 207377 respectively. VAT number: 366 130153.



This tool is for the use of Financial Advisers only. It must not be used by clients.

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QIP 21462/106/7479/August 2024