ATT Paper 5 Inheritance Tax, Trusts and Estates

0/98

ATT Paper 5 Inheritance Tax, Trusts and Estates May 2026

Cover Page

THE ASSOCIATION OF TAXATION TECHNICIANS

ATT PAPER 5 INHERITANCE TAX, TRUSTS & ESTATES

May 2026

TIME ALLOWED

3 HOURS 30 MINUTES

- All workings should be shown and made to the nearest month and pound unless the question specifies otherwise.

Marks available per question:

Question 1: 20 marks

Question 2: 20 marks

Question 3: 20 marks

Question 4: 15 marks

Question 5: 23 marks

A maximum of two marks will be awarded for the quality of presentation of the answers.

Total: 100 marks

Important Information – Please read carefully

- An Excel spreadsheet is provided with each question.You do not have to use this, but where the requirements include calculations and workings, you may find it a useful tool. However, please note that all Excel calculations and workings that you wish to include as part of your answer **must** be copied into the word processor answer box, otherwise they will not be marked.

When you have pasted calculations from Excel into the answer box, you might only see gridlines where there is an entry in the cell. You do not need to spend time adding extra gridlines manually. Please **do not** expand the width of tables in the answer box once pasted in from Excel. Column widths have been deliberately limited in the Excel spreadsheet to facilitate marking.

Question 1 /20

Question 1 0/20

In October 2018 Orson created the Style Trust for the benefit of his three adult children, Mateo, Hazel and Anya. Orson had previously created a UK charitable settlement and a Jersey resident settlement, both of which are still in existence. Anya has been entitled to 50% of the Style Trust's annual income and gains since its creation while Hazel and Mateo have each been entitled to 25%.

In December 2018, the trustees subscribed for 600 shares in Flair Ltd, an unquoted company which manufactures and distributes fashion accessories. They paid £300,000 for the shares which represent 6% of the total share capital of the company.

Anya has been an employee of Flair Ltd since January 2020. She personally owns 500 shares in Flair Ltd which she purchased on 14 May 2023 and has made no capital disposals.

Hazel is a doctor working for the NHS; however, she previously worked for Flair Ltd until 12 August 2022. Hazel does not hold any shares in Flair Ltd and has made no capital disposals.

Mateo has been employed full-time by the charitable settlement settled by Orson since its creation in 2015. He subscribed for 900 shares in Flair Ltd in December 2018, and sold 625 of these in June 2023, realising a capital gain of £450,000. This was his only capital disposal, and he claimed any reliefs available at that time.

The trustees wanted to sell 400 shares in Flair Ltd to an unconnected third party to raise cash. They considered sale dates of either 10 April 2025 or 10 September 2025. The shares had a market value of £2,000 per share on both of those dates.

The trustees had brought forward capital losses of £2,000 on 6 April 2025. No other capital disposals were made in 2025/26.

Requirements:

1) Explain which Capital Gains Tax reliefs are available to the trustees for the disposal of their Flair Ltd shares on each of the sale dates considered by the trustees. You should include any consequences for the beneficiaries of any claims made. (13)

2) Calculate, with explanations, the trustees' Capital Gains Tax payable if they had completed the share sale on:

a) 10 April 2025.

b) 10 September 2025.

You should assume any available reliefs are claimed and state which date of disposal minimises the trustees' Capital Gains Tax liability. (7)

Total (20)

ATTP5M26_Q1-ATT P5 Q1

ATTP5M26_Q1-ATT Tax Tables

ATTP5M26_Q1-ATT P5 Memory Jogger

ATTP5M26_Q1-ATT Paper 5 IHT Manual

ATTP5M26_Q1-ATT Paper 5 ITandCGT Manual

ATTP5M26_Q1-ATT Paper 5 TandE Manual

Part 1

This is your Excel spreadsheet for Question 1. It is only for your workings: the spreadsheet itself **will not be marked**.

When you have completed your calculations and workings, you **must** copy and paste them into the answer box to be marked.

ATTP5M26_Q1-ATT P5 Q1

ATTP5M26_Q1-ATT Tax Tables

ATTP5M26_Q1-ATT P5 Memory Jogger

ATTP5M26_Q1-ATT Paper 5 IHT Manual

ATTP5M26_Q1-ATT Paper 5 ITandCGT Manual

ATTP5M26_Q1-ATT Paper 5 TandE Manual

Response

1-part1-ATTP5M26_Q1.xlsx

Part 2

This is your answer box for Question 1. If you use the Excel spreadsheet, you **must** copy and paste any calculations and workings that accompany your answer into this box

Response

1) Gift relief would be available only to the settlor and not the trustees.

Looking first at disposal date of 10 Sept 25.

Anya is entitled to 50% of the income and gains, so this would be 300 shares in Flair Ltd giving her 3% holding, but then as she bought 500 shares this increased her holding to 8%.

Mateo had a 1.5% entitlement, and then also purchased 900 shares in Dec'18 which increased his 'holding' to 10.5%.

BADR would be available as:

- a beneficiary with an IIP (being Anya) has more than 5% of the shares in Flair Ltd
- Anya works for the company
- Flair Ltd is a trading company
- Anya has worked for the company and held 5% of the shares for over 2 years in the 5 preceding the disposal.

Investors' relief would be available as:

- The shares the trustees subscribed for in Dec '18 were in an unlisted trading company which they have owned for at least 3 years
- Anya has an interest in possession in settled property
- The IIP has been held for more that 3 years prior to disposal
- The eligible beneficiary, being both Hazel and Mateo have not been employees for more than 3 years prior to disposal. Mateo was never an employee.

Now looking at the second disposal date of 10 April 2025.

This would shorten the time shares were held for as well as the time passed since being an employee/being employed by Flair Ltd, which would mean that the beneficiaries would no longer meet the requirements for either BADR or Investor's relief.

2A)

Cost of Shares	
600	£300,000.00
400	£200,000.00
10-Apr-25	
MV (£2,000x400 shares)	£800,000.00
Cost	£200,000.00
Gain	£600,000.00
Less AE (£1,500/3)	-£,500.00
Chargeable	£599,500.00
Less losses b/f	-£2,000.00
Taxable	£597,500.00

CGT @ 24%	£143,400.00

2B)

10-Sep-25		
MV (£2,000x400 shares)		£800,000.00
Cost		£200,000.00
Gain		£600,000.00
Less AE (£1,500/3)		-£500.00
Chargeable		£599,500.00
Less losses b/f		-£2,000.00
Taxable		£597,500.00
CGT @ 14%	£448,125.00	£62,737.50
CGT @ 24%	£149,375.00	£35,850.00
Total CGT		£98,587.50

As Anya and Mateo would be eligible for BADR/Investors' relief - we need to tax 75% of the gain at 14% (Anya's 50% and Mateo's 25%) and the remainder is taxed at 24%.

10 September 2025 being the disposal date allows them to minimise CGT payable.

Question 2 /20

Question 1 0/20

On 1 May 2003, Robert Green created the Green Family Trust by settling £350,000 into an A&M trust. The Trust used most of these funds to purchase a commercial property, which, since purchase, was let on commercial terms to a third-party tenant. Robert made gifts to use up his Inheritance Tax annual exemption each year on 6 April and had made a previous gift to his daughter's company of £50,000 on 1 December 2002.

Prior to 5 April 2008, the trustees altered the Trust terms to give Robert's three grandchildren entitlement to income from the Trust at the age of 18, and full entitlement to their share of the capital at the age of 25. Jessica and William were born on 1 May 2001, and Zack was born on 1 December 2002. The trust made no discretionary distributions.

The income and expenses of the Trust are as follows:

	2024/25	2025/26
	£	£
Rental income	28,000	38,000
Rental expenses	5,000	3,000
Interest	2,000	2,000
Management expenses	2,000	2,000

The value of the commercial property is as follows:

	£
1 May 2003	310,000
6 April 2008	360,000
1 May 2023	420,000
1 May 2026	450,000

On 1 May 2023 and 1 May 2026, the trust held cash of £45,000.

Requirements:

1) Calculate the Income Tax liability of the Trust for 2024/25 and 2025/26. Produce R185s for each of the beneficiaries. (7)

2) Calculate the Inheritance Tax due on the distribution to the twins on reaching age 25. Explain the Capital Gains Tax implications of this event and discuss any planning that could be done to mitigate the Capital Gains Tax liability of the trustees. (13)

Total (20)

ATTP5M26_Q1-ATT P5 Q1

ATTP5M26_Q1-ATT Tax Tables

ATTP5M26_Q1-ATT P5 Memory Jogger

ATTP5M26_Q1-ATT Paper 5 IHT Manual

ATTP5M26_Q1-ATT Paper 5 ITandCGT Manual

ATTP5M26_Q1-ATT Paper 5 TandE Manual

Part 1

This is your Excel spreadsheet for Question 2. It is only for your workings: the spreadsheet itself **will not be marked**.

When you have completed your calculations and workings, you **must** copy and paste them into the answer box to be marked.

- ATTP5M26_Q1-ATT P5 Q1
- ATTP5M26_Q1-ATT Tax Tables
- ATTP5M26_Q1-ATT P5 Memory Jogger
- ATTP5M26_Q1-ATT Paper 5 IHT Manual
- ATTP5M26_Q1-ATT Paper 5 ITandCGT Manual
- ATTP5M26_Q1-ATT Paper 5 TandE Manual

Response

1-part1-ATTP5M26_Q2.xlsx

Part 2

This is your answer box for Question 2. If you use the Excel spreadsheet, you **must** copy and paste any calculations and workings that accompany your answer into this box

Response

1) As this is a IIP trust, and no distributions were made to meet the expenses for the management of the trust, we ignore the management expenses as can NOT can a tax deduction for these.

Assuming the 3 grandchildren have equal share in the trust and it's income.

24/25 Rental		
Income	£28,000.00	
Expenses	£5,000.00	
Profits	£23,000.00	
	Non-savings	Interest
Rental Profits	£23,000.00	
Interest		£2,000.00
Total Trust Income	£23,000.00	£2,000.00
23000 @ 45%	£10,350.00	
2000 @ 45%		£900.00
Payable by Trustees		£11,250.00

R185 24/25	
Trust income	£23,000.00
Tax	-£11,250.00
Remainder	11,750
Tax Credit (11,750*45/55)	9,614
R185 24/25	
Net	£3,916.67
Tax	£3,204.55

25/26 Rental		
Income	£38,000.00	
Expenses	£3,000.00	
Profits	£35,000.00	
	Non-savings	Interest
Rental Profits	£35,000.00	
Interest		£2,000.00
Total Trust Income	£35,000.00	£2,000.00
35000 @ 45%	£15,750.00	

2000 @ 45%		£900.00
Payable by Trustees		£16,650.00

R185 25/26	
Trust income	£35,000.00
Tax	-£11,250.00
Remainder	23,750
Tax Credit (11,750*45/55)	19,432
R185 24/25	
Net	£7,916.67
Tax	£6,477.27

2) On 1 May 2026 the twins turned 25.

It states that Robert uses his AE and there is no reference to him using the trusts.

MV of Gift of share capital	450000
2/3 of gift paid out	300000
Less AE 2026/27	-3000
Less AE 2025/26 bf	-3000
CLT	294000
NRB at date of gift	325000
Chargeable to IHT	NIL
IHT @ 20% paid by trustees	NIL

NRB exceeds CLT so therefore no IHT due.

Question 3 /20

Question 1 0/20

Martha died on 30 April 2026. Martha was born in Spain but had been UK resident from 6 April 2011 until 5 April 2026 when she had returned to Spain. She was married to Julian who moved to the UK from Spain on 6 April 2020 and has been UK resident since. He moved back to Spain with Martha on 6 April 2026 and has decided to remain there with family following her death.

Martha's estate on death comprised of the following:

	£
UK Government Gilts	25,000
50% share of UK residential property (former main residence) tenancy in common	350,000
50% share of Spanish property (current main residence) co owned with Julian	475,000
UK bank accounts	160,000
UK quoted share investments	230,000
Loan owed by per brother (resident in Spain)	100,000

Martha's Will directs that her share of the Spanish property is to go to Julian and that her remaining assets will be shared equally between her niece and nephew after a donation to a UK charity of £10,000.

After her death, Martha's executors incurred expenses of £25,000 for administering her property in Spain. They have paid Spanish Inheritance Tax of £95,000.

Martha made three lifetime gifts, she gifted half of her UK residential property to Julian as tenants in common, on their marriage on 30 April 2020, when it was worth £600,000 and £175,000 each to her niece and nephew from her UK bank account on 1 May 2021 and 1 May 2022 respectively.

Apart from the two properties owned with Martha, Julian has a bank account in Spain holding €120,000 (Sterling equivalent £100,000).

Requirement:

Calculate, with explanations, the UK Inheritance Tax due on Martha's death assuming that no elections have been made. State the amounts payable and by whom and the due date for payment.

Ignore any double tax treaty between the UK and Spain. (20)

ATTP5M26_Q1-ATT P5 Q1

ATTP5M26_Q1-ATT Tax Tables

ATTP5M26_Q1-ATT P5 Memory Jogger

ATTP5M26_Q1-ATT Paper 5 IHT Manual

ATTP5M26_Q1-ATT Paper 5 ITandCGT Manual

ATTP5M26_Q1-ATT Paper 5 TandE Manual

Part 1

This is your Excel spreadsheet for Question 3. It is only for your workings: the spreadsheet itself **will not be marked**.

When you have completed your calculations and workings, you **must** copy and paste them into the answer box to be marked.

- ATTP5M26_Q1-ATT P5 Q1
- ATTP5M26_Q1-ATT Tax Tables
- ATTP5M26_Q1-ATT P5 Memory Jogger
- ATTP5M26_Q1-ATT Paper 5 IHT Manual
- ATTP5M26_Q1-ATT Paper 5 ITandCGT Manual
- ATTP5M26_Q1-ATT Paper 5 TandE Manual

Response

1-part1-ATTP5M26_Q3.xlsx

Part 2

This is your answer box for Question 3. If you use the Excel spreadsheet, you **must** copy and paste any calculations and workings that accompany your answer into this box

Response

Martha died on 30 April 2026, and so the Form IHT 400 needs to be submitted and any tax paid 6 months from the end of the month of death, meaning the deadline to do so is 31 October 2026.

Should the Executors file the IHT 400 early, then any tax due will be payable upon submission. Late payment will incur interest, but the interest will only begin being charged following 31 Oct 2026.

Martha was non-UK dom on death.

She made following transfers:

- UK Government gilts £25,000
- 50% share UK property £350,000 (gifted 30 April 2020 to J)
- 50% share Spanish property £475,000
- UK Bank account £160,000
- UK quoted share investments £230,000
- Loan owed to brother £100,000

Julian is non-dom and now non-UK resi as he will stay in Spain.

Not more than 10% of her overall estate has been left to charity - so estate does not qualify for lower IHT rate.

The gift if UK property between houses is exempt as they were spouses at this point.

Lifetime gifts:

50% UK property to husband > PET - EXEMPT UP TO £325,000 as Martha was a long-term UK resident and Julian was not.

£175,000 to niece 1 May '21 > PET - FAILED

£175,000 to nephew 1 May '22 > PET - FAILED

30 Apr '20 PET:

Time between gift and DOD = ~6 years

Taper relief of 80% applies

PET to Spouse - MV		600,000
Less Exempt amount		-325,000
Less 2020/21 AE		-3,000
PET		272,000
		272,000
LESS NRB		-325,000
Taxable		NIL

1 May '21 PET:

Time between gift and DOD = ~4 years 11 months

Taper relief of 20% applies

Gift to Niece	£175,000.00	

Less 2021/22 AE	-£3,000.00	
PET	£172,000.00	
PET to Niece		£172,000.00
LESS NRB Remaining	£-	
		£-
Taxable		£172,000.00
IHT @ 40%		£68,800.00
Less Taper Relief (20%)		-£27,520.00
IHT Payable by Niece		£41,280.00

1 May '22 PET:

Time between gift and DOD = ~3 years 11 months

Taper relief of 40% applies

Gift to Nephew	£175,000.00	
Less 2022/23 AE	-£3,000.00	
PET	£172,000.00	
PET to Nephew		£172,000.00
LESS NRB Remaining	£-	
		£-
Taxable		£172,000.00
IHT @ 40%		£68,800.00
Less Taper Relief (40%)		-£27,520.00
IHT Payable by Nephew		£41,280.00

Death Estate:

As she was non-UK dom, we are only concerned with UK assets and not worldwide therefore we disregard the Spanish Property, and associated costs as it is not included in the calculation. If the property was included then only £23,750 of the expenses would be allowable as this is 5% of the value in her estate.

Martha's estate does not qualify for the RNRB, even though the properties have both been her main residence at some point, and her estate is <£2mil, as she has not left the properties to direct descendants, RNRB can not be used.

UK Property		£350,000.00
Investments and cash		£415,000.00
Gross Estate		£765,000.00
Deduct expenses		-£10,000.00
NET Estate		£755,000.00
NRB on death		-£325,000.00
Taxable Estate		£430,000.00
IHT @ 40%		£172,000.00

FAILED PETs paid by donee's.

Estate IHT paid by Executors.

Question 4 /15

Question 1 0/15

Cynthia died on 5 June 2025 leaving her entire estate to her son Chase. The Executors completed the administration of Cynthia's estate on 10 April 2026.

Cynthia's estate received income as follows in 2025/26:

	Date	£
Bank interest	1 September 2025	7,800
Dividends on share portfolio	2 January 2026	5,000
Bank interest	1 March 2026	6,500
Interest on ISA	5 April 2026	3,100
Rental income on investment property (cash basis)	1st of each month	1,250

The Executors paid £750 for repairs to the chimney of the rental property on 15 November 2025, and £425 in general expenses for managing the estate on 5 April 2026.

On 20 January 2026, Chase signed a Deed of Variation redirecting Cynthia's estate to his 14-year-old son Dylan. Capital Gains Tax and Inheritance Tax elections were made.

The following distributions were made during the administration period:

Date	Asset	Amount/Value
		£
30 September 2025	Income distribution	3,000
12 December 2025	Investment property	300,000
18 February 2026	Income distribution	4,000

Requirements:

1) Calculate, with explanations, the Income Tax payable by the Executors of Cynthia's estate for 2025/26. (5)

2) Explain the Income Tax consequences of the Deed of Variation made by Chase. (4)

3) Explain who is entitled to each of the distributions made from the estate in 2025/26 and prepare the R185s. (4)

4) Explain the Capital Gains Tax and Inheritance Tax consequences of the elections made by Chase in relation to the Deed of Variation. (2)

Total (15)

ATTP5M26_Q1-ATT P5 Q1

ATTP5M26_Q1-ATT Tax Tables

ATTP5M26_Q1-ATT P5 Memory Jogger

ATTP5M26_Q1-ATT Paper 5 IHT Manual

ATTP5M26_Q1-ATT Paper 5 ITandCGT Manual

ATTP5M26_Q1-ATT Paper 5 TandE Manual

Part 1

This is your Excel spreadsheet for Question 4. It is only for your workings: the spreadsheet itself **will not be marked**.

When you have completed your calculations and workings, you **must** copy and paste them into the answer box to be marked.

ATTP5M26_Q1-ATT P5 Q1

ATTP5M26_Q1-ATT Tax Tables

ATTP5M26_Q1-ATT P5 Memory Jogger

ATTP5M26_Q1-ATT Paper 5 IHT Manual

ATTP5M26_Q1-ATT Paper 5 ITandCGT Manual

ATTP5M26_Q1-ATT Paper 5 TandE Manual

Response

1-part1-ATTP5M26_Q4.xlsx

Part 2

This is your answer box for Question 4. If you use the Excel spreadsheet, you **must** copy and paste any calculations and workings that accompany your answer into this box

Response

1) Cynthia died 5 June 2025, therefore her final SA100 return would be from 6 April 2025 - 5 April 2026 covering the period to the date of death. Question states income tax and not IHT, therefore below is an Income Tax Liability Summary.

Interest from ISA - exempt from IT.

Dec'd gets full PA for the year despite passing early in the tax year.

2025/26	Non-savings	Savings	Dividend
Bank interest		£7,800.00	
Bank interest		£6,500.00	
Dividends			£5,000.00
Rental Profits	£14,250.00		
	£14,250.00	£14,300.00	£5,000.00
Total income			£33,550.00
Less PA			£12,570.00
Taxable			£20,980.00
£1,680.00	20.00%		£336.00
£1,000.00	0.00%		£-
£13,300.00	20.00%		£2,660.00
£500.00	0.00%		£-
£4,500.00	8.75%		£393.75
Income Tax due			£3,389.75

2) The variation must be made:

- within 2 years of death
- In writing
- Signed by all parties
- Containing a S142 IHTA stmt
- Made without consideration

A deed of variation doesn't apply for Income Tax. As Chase received income from the estate before he made the variation on 20 Jan 26, the income is taxed on Chase with a tax credit.

If he had made it prior to the distributions being paid out, then this would have been more tax efficient for him.

3) Both distributions in 2025 would go to Chase as at the point he is the sole beneficiary of the estate. Then following his deed of variation, the distribution in Feb 26 would go to his son.

R185

30 Sept 25 12 Dec 25 18 Feb 26

NET £1,650 £165,000 £2,200

TAX £1,350 £135,000 £1,800

Question 5 /23

Question 1 0/23

Eric Golder, who was born in the UK and is a long-term UK resident, died on 23 October 2025 having never been married. His death estate was left equally between his son and his daughter and consisted of the following assets:

Asset	Value
	£
UK rental property	215,000
Investment portfolio	300,000
Cash at bank	180,000
	695,000

Eric had also made several lifetime gifts as follows:

1) On 28 September 2015 Eric created the Golder Discretionary Trust with £350,000 cash. The beneficiaries of the trust are Eric's grandchildren. Eric paid any tax arising on the transfer.

2) On 31 May 2022 Eric gifted a boat which cost him £110,000 six months earlier to his son. It was valued at £120,000 at the date of gift. Eric continued to use the boat on a weekly basis until the time of his death and did not pay his son for this use. The boat was valued at £140,000 at the time of his death.

3) On 13 December 2022 Eric sold his main home claiming 100% private residence relief, and gifted the proceeds of £480,000 to his daughter to buy a house. His daughter works abroad and does not use the house. Instead, Eric lives in the house and pays all household bills but no rent. The annual rental value of the house is £28,800, and the house was worth £520,000 at the time of Eric's death.

You are a member of the Association of Taxation Technicians and are engaged by the Executors of Eric's estate to review the Inheritance Tax position on Eric's death only. You have received a copy of Eric's 2025/26 tax return to the date of his death from Hills LLP who were the accountants Eric used until he died and are dealing with all Income Tax matters in relation to his death. You note that the only income reported on this tax return is rental income from the investment property, and interest and dividend income from his investment portfolio and cash held at bank.

Requirements:

1) Explain how each of Eric's lifetime gifts should be treated for tax purposes and calculate any lifetime Inheritance Tax payable on the gifts. (9)

2) Calculate, with explanations, the Inheritance Tax payable on Eric's death. (7)

3) Explain the Inheritance implications if Eric had stopped using the boat in September 2023 when its value was £130,000. Calculations are not required. (2)

4) Explain the action you should take and the implications for you in respect of any undisclosed tax liabilities during Eric's lifetime. (5)

Total (23)

ATTP5M26_Q1-ATT P5 Q1

ATTP5M26_Q1-ATT Tax Tables

ATTP5M26_Q1-ATT P5 Memory Jogger

ATTP5M26_Q1-ATT Paper 5 IHT Manual

ATTP5M26_Q1-ATT Paper 5 ITandCGT Manual

ATTP5M26_Q1-ATT Paper 5 TandE Manual

Part 1

This is your Excel spreadsheet for Question 5. It is only for your workings: the spreadsheet itself **will not be marked**.

When you have completed your calculations and workings, you **must** copy and paste them into the answer box to be marked.

ATTP5M26_Q1-ATT P5 Q1

ATTP5M26_Q1-ATT Tax Tables

ATTP5M26_Q1-ATT P5 Memory Jogger

ATTP5M26_Q1-ATT Paper 5 IHT Manual

ATTP5M26_Q1-ATT Paper 5 ITandCGT Manual

ATTP5M26_Q1-ATT Paper 5 TandE Manual

Response

1-part1-ATTP5M26_Q5.xlsx

Part 2

This is your answer box for Question 5. If you use the Excel spreadsheet, you **must** copy and paste any calculations and workings that accompany your answer into this box

Response

1)

Chargeable Lifetime Transfer - Trust	
Value Transferred	350,000
AE 2015/16	-3,000
NRB	-325,000
Taxable	22,000
Lifetime tax 20%	4,400

The gift of the boat of which Eric continues to enjoy the benefits as he uses it weekly and does not pay his son for the use, is deemed a Gift with Reservation of Benefit. And therefore the full value is included in the death estate.

The gift of the cash proceeds of the sale of his house for his daughter to buy a new house, which she does not use and Eric enjoys by only paying bills and not rent, as he does not pay the full market value. This is deemed a Pre-Owned Asset as GWR doesn't apply but Eric still enjoys the benefits. POAT is charged to income tax at the hands of the daughter (as it would be deemed rental income) and not IHT.

Eric could elect into GWR treatment bringing the asset back into the estate and avoid the POAT charge for his daughter.

2)

Calculate Death Estate:

Uk Rental Property	£215,000.00
Investment Portfolio	£300,000.00
Cash at Bank	£180,000.00
Boat - MV	£140,000.00
Gross Estate	£835,000.00
Net Estate	£835,000.00
Less NRB	-£325,000.00
Balance	£510,000.00
Less RNRB	-£175,000.00
Taxable Estate	£335,000.00
IHT @ 40%	£134,000.00

Bring the MV of the boat at DOD back into the estate due to GwRB.

Working on the basis that no election to bring the house back into the estate to avoid POAT.

3) If Eric had stopped using the boat in Sept 23, then this would have reduced the IHT due as the MV of the boat at the DOD would have not needed to be included in his death estate, and instead it would have been dealt with as a PET.

4) Upon discovering undeclared income, it would be my duty to amend this following the ATT professional standards and ethical guidelines.

I would need to confirm the documentation the previous accountant used and get in contact with the dec'd family to obtain any missing information