ATT Paper 5 Inheritance Tax, Trusts and Estates

ATT Paper 5 Inheritance Tax, Trusts and Estates May 2026

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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

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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

Part 1	Unquoted trading company		
Flair Ltd shares	Shares	Cost	
Subscribed December 2018 - 6%	600	300,000	

Flair Ltd being a unquoted trading company the gains on the disposal of the shares may or may not qualify for BADR - lets take each scenario at once:

BADR on trust applies the similar way as on an individual provided but only available to trust in which the beneficiary has IIP (al 3 beneficiaries have IIP in our case)

The life tenant must hold at least 5% or more and work for the company throughout the 2 years period in the 3 year period immediately before disposal

Sale of shares on 10 April 2025:

Anya - owns 500 shares - 5% of the share holding

if 600 shares constitute to 6% 500 shares will be 5%

Employee of Flair

Anya purchased this share on 14 May 2023

She will be eligible on 14 May 2025

Hazel - Employee till 12 August 2022 - not working for Flair in the last 2 years before disposal

So not eligible for BADR

Mateo - Neither holding the shares not an employee of Flair Ltd so not eligible for BADR.

In summary - if the Flair Ltd shares are sold on 10 April 2025 non of the beneficiaries qualify for BADR and so all the gains will be taxed as normal CGT at 24% - only Annual exemption of 1500 will be eligible on the sale (750 see next para)

As Orson has created UK charitable settlement which is the only other UK trust the annual exemption will be divided by 2 and allowable annual exemption would be 750.

Sale of shares on 10 September 2025:

Anya - owns 500 shares - 5% of the share holding

if 600 shares constitute to 6% 500 shares will be 5%

Employee of Flair

Anya purchased this share on 14 May 2023

now eligible for BADR

Hazel and Mateo will still not be eligible as they are not employee of Flair ltd or work for flair limited throughout the 2 years period within the 3 years up to date of disposal.

This means 50% (Anya's share) would be eligible for BADR and the tax would be at 14% while the balance 50% of the gain would be taxed as normal CGT at 24%

The Annual exemption will be utilized in full against the gain from non-BADR asset.

Part 2

	Unquoted trading company				
Flair Ltd shares	Shares	Cost	Value per sjare = 20000		
Subscribed December 2018 - 6%	600	300,000			
Sale	-400	-200,000	800,000		
Shares sold on 10 April 2025					
Proceeds (400 x 2000)	800,000				
Cost	200,000				
Gain on sale	600,000				
Less Annual exemption	-750				
	599,250				
Less brought forward losses	-2,000				
Gains due to CGT	597,250				
Gains taxed at 24%	**143,340**				
	Unquoted trading company				
Flair Ltd shares	Shares	Cost	Value per sjare = 20000		
Subscribed December 2018 - 6%	600	300,000			
Sale	-400	-200,000	800,000		
Shares sold on 10 September 2025					

As Anya has 50% entitled to gians 50% of the total will qualify for BADR and rest will be non BADR at usual CGt rate					
	BADR	Non-BADR			
	50.00%	50.00%			
Proceeds (400 x 2000)	400,000	400,000			
Cost	-100,000	-100,000			
Gain on sale	300,000	300,000			
Less Annual exemption		-750			
	300,000	299,250			
Less brought forward losses		-2,000			
Gains due to CGT	300,000	297,250			
Tax rate	14.00%	24.00%			
CGT due	42,000	71,340			
Total CGT due for 2025/26		**113,340**			

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

Part 1

2024/25		NSI	SI	
Rentla income	28,000			
Less rental expences	-5,000	23,000		
Interest			2,000	
Total income		23,000	2,000	
All 3 beneficiaries are 18 in 2024/25				
Taxed at IIP rates				
NSI	23,000	20.00%	4,600	
SI	2,000	20.00%	400	
Total tax due			5,000	
R185	NSI	SI		
Income	23,000	2,000		
Management expenses		-2,000		
	23,000	-		
R185 2024/25	Total	Jessica	William	Jack
	1	3.00	3.00	3.00
Gross	23,000	7,667	7,667	7,667
Tax	4,600	1,533	1,533	1,533
Net	18,400	6,133	6,133	6,133

2025/26		NSI	SI		
Rentla income	38,000				
Less rental expences	-3,000	35,000			
Interest			2,000		
Total income		35,000	2,000		
All 3 beneficiaries are 18 in 2025/26					
Taxed at IIP rates					
NSI	35,000	20.00%	7,000		
SI	2,000	20.00%	400		
Total tax due			7,400		
R185	NSI	SI			
Income	35,000	2,000			
Management expenses		-2,000			
	23,000	-			
R185 2025/26	Total	Jessica	William	Jack	
	1	3.00	3.00	3.00	
Gross	35,000	11,667	11,667	11,667	
Tax	7,000	2,333	2,333	2,333	
Net	28,000	9,333	9,333	9,333	

Part 2

As this is relevant property trust the distributions to beneficiary of capital will be treated as an exit charge from discretionary trust

Curret value of Trust (at last ten year anniversary - 1 May 2023 (property plus cash) - 420000+45000		465,000		
Initial value of related trust		-		
NRB available	325,000			
Less Settlor transfer in 7 years before creation	-			
Less distributions from 1 May 2023 to 1 May 2025	-			
NRB available		325,000		

		140,000		
Notional Tax (30000 x 20%)		28,000		
Effective rate (6000/355000)*100		0.0600		
Actual rate (.060 * 30% * 11/40) - Note 1		0.50%		
Exit charges (450000+45000)*0.3161		2,450		

Note 1: Actual rate is calculated for number of complete quarters that is

As cash was also held at the date of beneficiary becoming entitled and ten year anniversary date - value added to calculations

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

Chargeable lifetime transfers to Julian - exempt as spousal exemption				
Cash to Niece - 1 May 2021		175,000		
less AE 2021/22		-3,000		
Less AE 2020/21		-3,000		
PET and chargeable on death		169,000		
NRB available	325,000			
GCT in previous 7 years	-			
NRB available		325,000		
Taxed on death at 40%		**-**		
Cash to Nephew- 1 May 2022		175,000		
Less AE 2022/23		-3,000		
less AE 2021/22	Used above	-		
PET and chargeable on death		172,000		
NRB available	325,000			
GCT in previous 7 years	-169,000			
NRB available		156,000		
Taxable amount		16,000		
Taxed on death at 40%		**6,400**		

Martha - LTUKR	UK Resident for 15 years				
Julian (Spouse) - NLTUKR	UK resident 6 years				
Estate value at death					
UK Government Gilts		25,000			
50% share of UK property		350,000			
50% share of spanish property		475,000			
UK Bank account		160,000			
UK Quoted shares		230,000			
Loan owned		100,000			
		1,340,000			
Less allowable expenses					
5% allowable for administrating spanish property 25000*5% - note 1		-1,250			
Net Value of Estate (Note 4)		1,338,750			
Less exempt legacies (spousal transfer)					
Spanish property share restricted to 325000 - Note 2		-325,000			
Donation to UK charity		-10,000			
		1,003,750			
NRB at death	325,000				
Gross chargeable transfer in previous 7 years (169000 + 172000)	341,000				

NRB available		-			
Taxable estate		1,003,750			
Taxed at 40%		401,500			

Note 1: only 5 % of the administration expenses on a foreign property are allowable so restricted to 25000 x 5% = 1250

Note 2: As Julian is a non long term UK resident - the exemption on spousal transfer will be restricted to 325000 as no elections have been made

Note 3: As Martha is a Long term UK resident (10 out of 20 years) - the death of Marth will attract IHT on estate to the world wide income.

Note 4 - as 10% the net Value of the estate is more than the actual UK donation, the IHT on death will be calculated at 40% and not 36%

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)

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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

Part 1

Income for estate		NSI	SI	DI	
Bank interest (Note1)			7,800		
Dividend on share portfolio				5,000	
Bnk interest (Note1)			6,500		
Interest on ISA (Exempt)			-		
Rental income (1250 * 10) (Note2)	11,667				
Less repairs	-750	10,917			
		10,917	14,300	5,000	
NSI taxed at 20%	10,917	20.00%	2,183		
SI taxed at 20%	14,300	20.00%	2,860		
DI taxed at 8.75%	5,000	8.75%	438		
Income tax due on estate			**5,481**		

Note : Estates do not have relief for management expenses paid for managing the estate

Note 1 - bank interest received in the bank account after the death will be taxable on the estate account

Note 2 - Rental income received on 1st of every month starting July 2025to March 2026 as the administration was completed in April 2025 so only 10 days of rental income will be laible.

Part 2

A beneficiary me disclaim a gift or may pass the gift to the person they nominate by making the variation which should be:

- in writing
- be signed by the person making it
- made within 2 years of death
- executors must agree to the variation

As all of the above scenarios agree with Chase making the deed of variation it is valid. The DOV was made on 24 January 2026 - which means any income distribution made prior to this date will be taxable on Chase's account only.

However the income distribution made on 18 February 2026 will be taxable on Dylans return.

Part 3

For the distributions made on 30 September 2025 and 12 December 2025 - Chase is entitled to these distributions

However as the a valid DOV was made on 24 January 2026 - the income distribution on 18 February 2026 will be entitled to Dylan. The distributions made to the beneficiaries are deemed to come from Non savings income in priority to Savings and dividend income and so both the Income distributions will have a tax credit of 20% as shown below

R185 Estate distribution to Chase	NSI	
income - 30 September 2025	3,000	
Tax	750	
Gross	3,750	
R185 Estate distribution to Dylan		
income - 18 February 2026	4,000	
Tax	1,000	
Gross	5,000	

Part 4

For the deed of variation made by Chase any transfer of Asset after the variation is in place would be a disposal For CGT purposes and also the transfer of value would be liable to IHT.

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

Part 1

Creation of Golder Disc Trust - 28 Sep 2015		350,000		
Less AE 2015/16		-3,000		
Less AE 2014/15		-3,000		
Chargeable amount		344,000		
Nil Rate Band	325,000			
Less Gross chargeable transfer in Previous 7 Y	-			
Available NRB		325,000		
Taxable amount		19,000		
As tax paid by the donor (20/80) or 25%		**4,750**		
Gift of Boat - 31 May 2022		120,000		
Less AE 2022/23		-3,000		
Les AE 2021/22		-3,000		
Chargeable amount (PET) - chargeable if died within 7 Years		114,000		
As Eric continued to use the boat til his death and did not pay anything for it - this will be a Gift with reservation of benefit and included in Eric's death estate				
Gift of cash proceeds to daughter - 13 Dec 2022		480,000		
Less AE 2022/23	Already used	-		
Les AE 2021/22	Already used	-		
Chargeable amount (PET) - chargeable if died within 7 Years		480,000		

Part 2

As the creation of trust is more than 7 years - it wont attract any additional IHT

Gift of Boat - 31 May 2022		114,000		
Nil Rate Band	325,000			
Less Gross chargeable transfer in Previous 7 Y (344000+4750)	348,750			
NRB available		-		
Taxable amount		114,000		
Death tax at 40%		**45,600**	**A**	
Gift of cash proceeds to daughter - 13 Dec 2022		480,000		
Nil Rate Band	325,000			
Less Gross chargeable transfer in Previous 7 Y	114,000			
NRB available		211,000		
Taxable amount		269,000		
Death tax at 40%		**107,600**	**B**	
IHT on Death estate				

Value of the estate				
UK Rental property		215,000		
Investment portfolio		300,000		
Cash at bank		180,000		
		695,000		
Plus GWROB (use of boat by Eric till he died)		140,000		
		835,000		
Nil Rate Band	325,000			
Less Gross chargeable transfer in Previous 7 Y	594,000			
NRB available		-		
Taxable amount		835,000		
Death tax at 40%		**334,000**	**C**	

Part 3

If Eric had stopped using the boat in September 2023 - the boat would not be included in the calculation of his death estate.

there will be a deemed PET on the transfer of ownership to his son in May 2022 and there will also be a deemed PET on the day Eric stops using the boat i.e. September 2023. No annual exemption will be available on this deemed PET when Eric stops using this boat. Higher of both the charges will be included.

Part 4:

In case if i come to know about any undisclosed tax liabilities during Erics lifttime:

1. the first thing which i would immediately do is get in touch with the executors of ERIC to understand the reason (if any) on why was the disclosure not made.
2. I would explain the tax consequences of such error which the executors might face for this eror.
3. I would make the executors aware of enquires by HMRC made if they think that the tax paid and the income disclosed is not valid.
4. I would make the executors aware of the consequences of deliberate non reporting of any income and the interest and penalties it would attract for the period tax was not paid
5. Would encourage the executors to get in touch with previous advisors and understand the reason if this was done in error or there was a mistake form their end.