THE ASSOCIATION OF TAXATION TECHNICIANS

ATT PAPER 5 INHERITANCE TAX, TRUSTS & ESTATES

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

Important Information – Please read carefully

A 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, all computations and workings completed in the spreadsheet **MUST** be copied and pasted into the word processor answer box. Any calculations left in the spreadsheet and not copied to the answer box will not be marked.

You **MUST** use keyboard shortcuts to copy from and paste to the answer box. These are CTRL+C (Command+C on a Mac) to copy and CTRL+V (Command + V on a Mac) to paste. Other methods of copying/pasting will not work.

- Markers will NOT be able to view any formulae/workings behind calculations carried out in the spreadsheet. You must set out details of your workings in full.
- Tax tables and the Tolley Manuals / Memory Joggers can be accessed as PDFs via the "open book" icon in the top right of your screen.
- Hyperlinks to Croner and Tolley (Lexis Nexis) student legislation versions, and HMRC manuals, can also be accessed via the "open book" icon in the top right of your screen.

Technical support during the exam: how to access

- You will be able to access technical support during the exam. This is limited to troubleshooting issues with the exam software.
- You can open the support portal by navigating to the 'open book' icon in the top right of the screen. A link to candidate support is provided in the resources list.
- This will open in a separate tab in the secure browser. The 'chat' function is found in the bottom right of that screen. The chat will first attempt to resolve issues by directing you to troubleshooting guidance. If that is unsuccessful, you will be directed to a live agent.

1. Jen was born in the UK and is a long-term UK resident. She has a terminal illness and has been told that she is likely to die within the next 12 months. Her estate will be left equally between her two sons and consists of the following assets:

Asset/Expense	Value
	£
Main home	850,000
Investment portfolio	285,000
500 shares in Brightline Ltd	500,000
Rural land	200,000
Cash at bank	480,000
Funeral expenses	5,000

Brightline Ltd is an unquoted company which manufactures lamps and light fittings. Jen and her husband Mike each purchased 250 shares for £50,000 on 1 March 2024. Mike, also a long-term UK resident, died on 19 February 2026 and left his entire estate valued at £990,000 to Jen. At the time of Mike's death, his Brightline Ltd shares were valued at £200,000. Neither Mike nor Jen has ever worked for Brightline Ltd.

The rural land is a large field which is let to a local farmer who uses the land to rear sheep for use of their wool. Mike bought the land in June 2022 and let it to the farmer on a 20-year lease in the same month, on a farm business tenancy with a notice to quit period of 12 months. The land passed to Jen on Mike's death when it had a market value of £180,000 and an agricultural value was £140,000. The current agricultural value of the land is £150,000.

Lifetime gift

Jen is considering making a gift to her sons in December 2026 of either:

a. Her Brightline Ltd shares; or
b. Her £480,000 cash at bank.

She is unsure of the impact this will have on the Inheritance Tax due on her death or whether there are any Capital Gains Tax implications. If Jen gave the shares to her sons, they would keep them for several years.

Jen has made no other lifetime gifts. She is a higher rate taxpayer. Jen has already used her Capital Gains Tax annual exempt amount for the year.

Requirements:

1) Explain, with supporting calculations, which Inheritance Tax reliefs and nil rate bands are available for the assets in Jen's estate and calculate the current Inheritance Tax payable if she were to die today. Ignore the lifetime gift for the purposes of this part.

(11)

2) Assuming Jen dies within 12 months, calculate, with supporting explanations, the Inheritance Tax and Capital Gains Tax implications of Jen making lifetime gifts to her sons of:

a. Her Brightline Ltd shares; or
b. Her £480,000 cash at bank.

Explain which gift would be the most tax efficient for Jen to make. (9)

Total (20)

2. Moe was born in the UK and has always lived in the UK. Moe died on 25 August 2026 having made the following lifetime gifts:

a. On 30 May 2021 Moe gifted £15,000 to their daughter on her wedding day.

b. On 4 April 2022 Moe created the Oakcrest Discretionary Trust for the benefit of their daughter and grandchildren with £400,000 cash.

c. On 12 September 2023 Moe also transferred an investment property valued at £180,000 to the Oakcrest Trust.

Moe completed the IHT100s and paid the Inheritance Tax for both transfers into the Oakcrest Trust on 31 March 2024.

At the time of Moe's death, the investment property transferred to the trust on 12 September 2023 was valued at £150,000. The trustees had purchased additional investment properties using the original cash gifted by Moe on 4 April 2022 so did not hold liquid assets on Moe's death.

Requirements:

1. **Calculate, with supporting explanations, the Inheritance Tax payable on Moe's lifetime transfers during their lifetime and as a result of their death. State the time limits for any claims made.** (10)

2. **Explain who is liable for payment of the Inheritance Tax liabilities, the due dates for payment and for submission of the Inheritance Tax returns. You should assume that any beneficial claims are made in relation to the payment of the tax due.** (6)

3. **Explain, with supporting calculations, any consequences of the payment of tax and submission of IHT returns for Moe's lifetime transfers to the Oakcrest Trust having been completed on 31 March 2024.** (4)

Total (20)

3. You have been asked to take on a new trust client and have been given the following permanent information by the client.

On 6 April 2015, Meera, a long-term UK resident individual, settled £500,000 into the Meera Family Trust. The Trust terms give Meera's three grandchildren entitlement to income from the Trust at the age of 25, and full entitlement to their share of the capital at the age of 30.

Her three grandchildren were born on the following dates:

Rachel - 30 September 1998
James - 6 August 2000
Ben - 8 December 2004

Meera and her daughter Jazeera (also long-term UK resident) are the trustees and have provided you with the following information for 2025/26:

The income of the Trust was as follows:

	£
Rental profits	32,000
Bank interest	2,500
Dividends	8,500

Management expenses incurred were £3,000.

All income is earned evenly throughout the year.

The tax pool brought forward on 6 April 2025 was £13,520. An income distribution of £5,000 was made to Ben at the trustees' discretion.

The trust made payments on account towards their liability for 2025/26 of £7,000 each on 31 January 2026 and 31 July 2026.

The trustees also disposed of one of the residential rental properties held in the trust, exchanging contracts on 31 March 2026, (completion dated 10 April 2026). The gain was £41,700. The trustees expect to pay the tax on this and complete any relevant administration by 31 January 2027.

Requirements:

1) Explain the actions your firm should take before taking on and starting work on this new client. (4)

2) Calculate with explanations the Income Tax liability of the Trust for 2025/26, including consideration of the tax pool. Produce forms R185 for each of the beneficiaries. (16)

3) Calculate the Capital Gains Tax due on the Trust for 2025/26 explaining how this is reported and paid and any implications of late submission/payment. (5)

Total (25)

4. Maisie a long-term UK resident died on 6 June 2025. Her husband, James, also long-term UK resident, pre-deceased her in 2023 and his entire estate passed to Maisie. They share a son and daughter, Robert, aged 14 and Peggie, aged 24.

On her death, her estate comprised of the following:

	£
Main residence	525,000
Rental property	224,000
Bank account	24,000
Quoted share portfolio (each holding less than 1%)	150,000

Maisie had made the following gifts of cash in her lifetime:

	£
Gift to brother – 1 June 2020	120,000
Gift to niece – 1 January 2023	15,000
Gift to nephew – 10 January 2023	15,000

Maisie's Will states that the estate will be shared equally between her children, with Robert's share being held in a trust until he is 18 years old.

The trustees have decided to rent the main residence to a third-party tenant. This tenant moved into the property on 6 December 2025, and paid monthly rental payments of £2,250 from which management expenses of 12% of gross rents are deducted.

A standing order has been set up by the trustees of £250 per month to Maisie's brother who is Robert's guardian to assist with food and clothing for Robert.

The rental property will be sold in 2027/28. This will release funds to make a distribution of £18,000 to Robert on his 17th birthday to fund his first car. They anticipate the net proceeds for the property to be £243,750.

Requirements:

1) Calculate with explanations the Inheritance Tax due on Maisie's Estate. State the deadlines for reporting and payment. (8)

2) Discuss, with supporting calculations, the Income Tax implications of the rental income received by the trust and the rental expenses paid. State any elections that should be made by the trustees. (6)

3) Calculate, with explanations, the Capital Gains Tax due on the sale of the property. (3)

4) State the tax implications for the trust of both the standing order to Robert's uncle and the distribution to Robert for his car. (1)

Total (18)

5. Bradley has approached your firm for assistance reporting the formation of a Trust. Your firm has undertaken all relevant onboarding procedures, including agreeing fees and obtaining a signed engagement letter.

On 20 August 2025, Bradley a long-term UK resident settled a commercial rental property held as an investment, valued at £275,000, into a trust for the benefit of his grandchildren. Bradley had purchased the property in 2020 for £210,000 and had not undertaken any significant improvements.

After deducting the personal allowance, Bradley's income for 2025/26 is £7,430 and he made no other asset disposals in the tax year.

Bradley has previously made the following transfers:

June 2020 – a gift to his daughter's company of £50,000.

August 2022 – a settlement of £200,000 cash into a trust.

April 2023 – a gift to his daughter of £75,000.

Following the work done for Bradley he has failed to pay your firm's invoice.

Requirements:

1. Assuming no claim for relief is made, calculate the Inheritance Tax and Capital Gains Tax due on the formation of the settlement. State Bradley's requirements for registering this settlement and the earlier chargeable lifetime transfers to HMRC. State any beneficial claims that could be made by Bradley, and the requirements for these claims. (11)

2. Explain the steps your firm should take to recover the unpaid invoice amount due from Bradley, and what further action, if any, can be taken. (4)

Total (15)