

Multiple Trusts (Periodic Charge)



The periodic charge is a form of Inheritance Tax which is applied to discretionary Trusts with more than the available Nil Rate Band (NRB) of the Settlor at the date the Trust was created. This tax is levied every 10 years on the excess over the NRB at circa 6%. If assets are appointed out absolutely to beneficiaries between these 10 year periods, then an exit charge is payable which is levied pro rata to the previous periodic charge.

The Rysaffe principle relates to the case of the Rysaffe Trustee Co (CI) vs IRC (2003) where a series of Trusts were created on consecutive days. It was confirmed by the Court that settlements created on different dates were not related for the purposes of calculating periodic and exit charges.

Discretionary Trusts dated and settled on different dates (re Rysaffe) are unrelated for the periodic charge, as they have their own settlement date, meaning each Trust has its own NRB, rather than sharing a Nil Rate Band.

MULTIPLE TRUST PLANNING RE: RYSAFFE



Trust 1
£325,000
Established on Monday



Trust 2
£325,000
Established on Tuesday



Trust 3
£325,000
Established on Wednesday

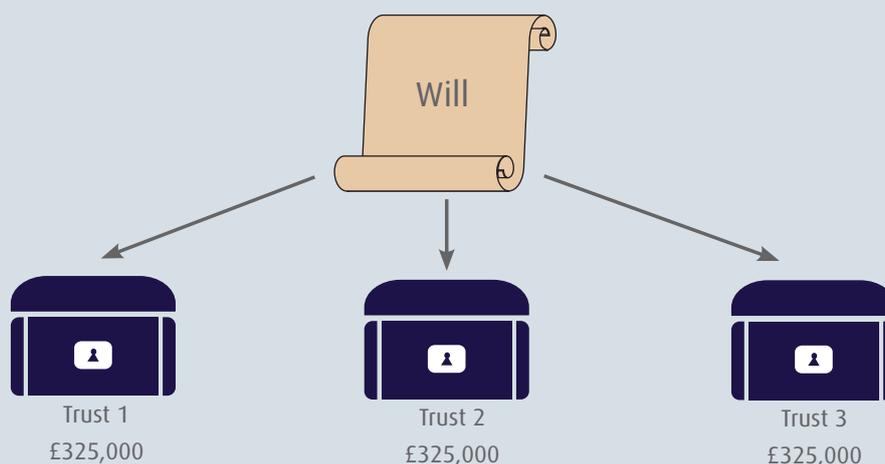
Not related settlements for the periodic charge (Section 62A).

The Problem:

! Due to changes in the Finance Act 2015 which amended s62 Inheritance Tax Act 1984 (IHTA 1984), multiple discretionary Trusts settled on the same day when the total is in excess of the NRB, will be subject to periodic and exit charges, even if the Trusts are set up on different days.

! This affects multiple discretionary Trusts that are further settled on a later date, and crucially for example, when assets that enter a number of Trusts on death via a Will. Despite being created in life on different dates, all the Trusts will be related and aggregated for the periodic charge because there is one settlement date, that being the date of death.

MULTIPLE TRUST PLANNING RE: RYSAFFE

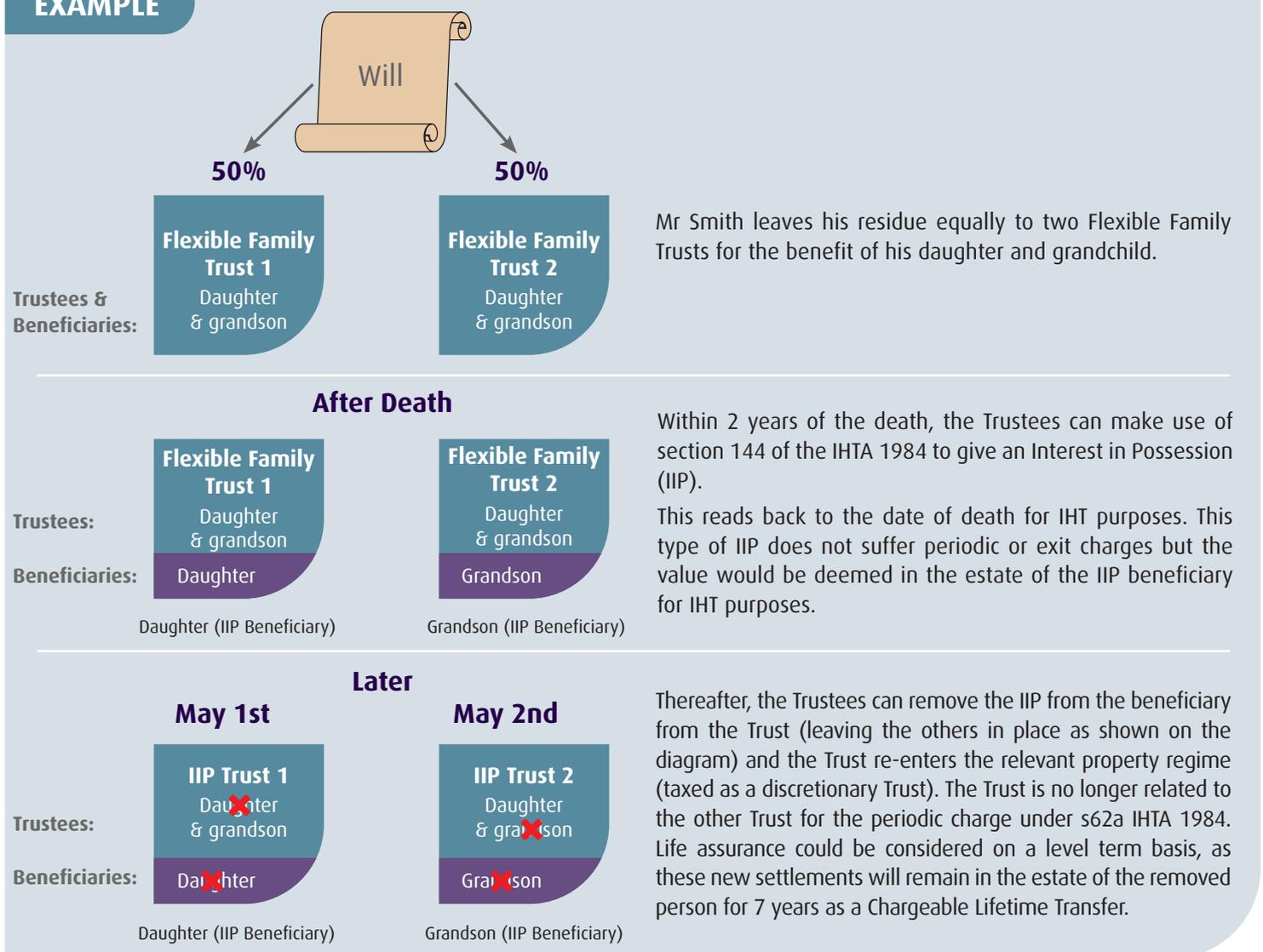


All related settlements for the periodic charge (section 62A).

The Solution:

- ✓ The payment of periodic and exit charges is small compared to the potential 40% inheritance tax payable on the death of each beneficiary, and the risk from the other threats, if the assets are in the estate of your beneficiaries.
- ✓ However clients can still consider the use of multiple discretionary Trusts linked with the Will, as there are various options open to the Trustees following the death of a settlor, to try and reduce or mitigate, in some cases, the occurrence of periodic and subsequent exit charges.
- ✓ It can be possible to achieve the Trusts having their own NRB and become unrelated for the periodic charge, by simple Trustee actions taken within 2 years of death by the Trustees using Section 144 IHTA 1984.
- ✓ As an example, it is possible for the Trustees to create an Interest in Possession (IIP) in favour of each beneficiary, thereafter the Trustees may further decide to remove that interest from their respective "Trusts", making the removed IIP the settlor of the Trust, so the Trust would no longer be related to the deceased's other Trusts for the periodic charge. Thus each Trust would have its own NRB.

EXAMPLE



HOW MANY TRUSTS DO I NEED?

There is no limit as to how many Trusts can be created. Ideally, you want to create as many Trusts as you require for each beneficiary or purpose. So in simple terms, the number of Trusts may be the number of children.

Please see Key Features & Benefit Sheet 22 - Multiple Trusts (Autonomy).

This sheet contains only general planning and is not to be construed as advice for any personal planning. Each strategy recommended is based on individual circumstances. **These trusts will require registration.**

For more information please call us on **01926 514 390** or email enquiries@countrywidgroup.co.uk



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