

## 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.

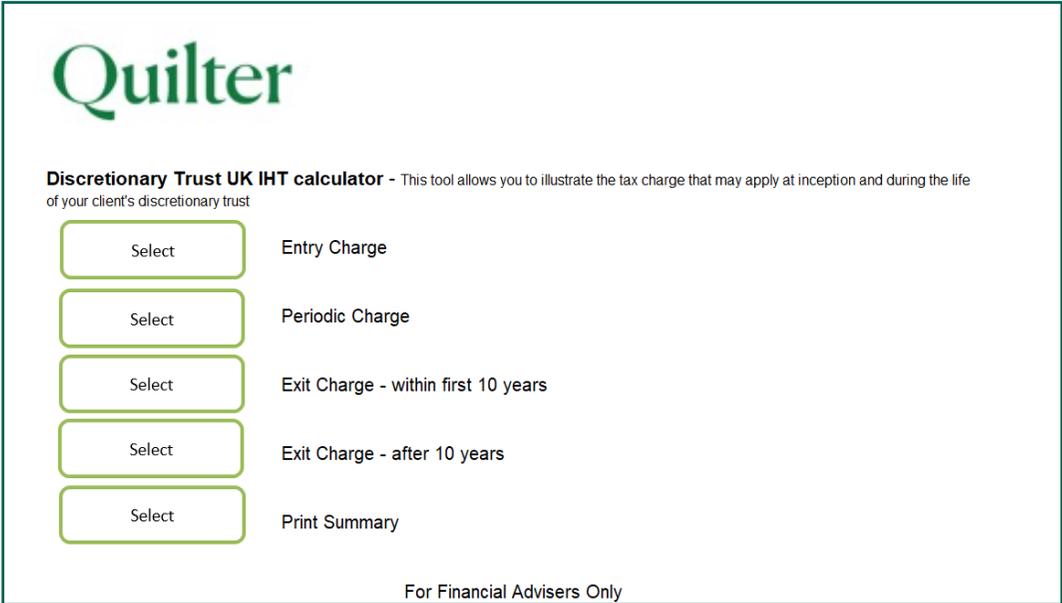
## **What can it be used for?**

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



**Quilter**

**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.

**Quilter** Discretionary Trust UK IHT calculator

Proposed gift into trust (CLT) <sup>1</sup>	£0	Current nil rate band	£325,000
Previous CLT's in last 7 years <sup>2</sup>	£0	Exemption applied to gift <sup>3</sup>	£0
<b>CLT Entry Charge (if paid from trust fund)</b>			
<b>£0</b>			
<b>CLT Entry Charge (if paid by settlor)</b>			
<b>£0</b>			

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<sup>1</sup> The amount gifted into the discretionary trust is known as a Chargeable Lifetime Transfer or CLT  
<sup>2</sup> Any previous gifts into other discretionary trusts  
<sup>3</sup> Value of exemptions that apply to the gift e.g. Annual exemption / normal expenditure / business relief

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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.


Discretionary Trust UK IHT calculator

<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Value of the trust fund<sup>1</sup></td> <td style="width: 20%; text-align: right;">£0</td> </tr> <tr> <td>Gifts into related settlements<sup>2</sup></td> <td style="text-align: right;">£0</td> </tr> <tr> <td>Value of same day additions<sup>3</sup></td> <td style="text-align: right;">£0</td> </tr> <tr> <td><b>Value of Notional transfer</b></td> <td style="text-align: right;"><b>£0</b></td> </tr> <tr> <td>Aggregate chargeable transfer</td> <td style="text-align: right;">£0</td> </tr> <tr> <td><b>Effective rate</b></td> <td style="text-align: right;"><b>0.00%</b></td> </tr> <tr> <td><b>IHT charge at 10 year</b></td> <td style="text-align: right;"><b>£0 *</b></td> </tr> </table>	Value of the trust fund <sup>1</sup>	£0	Gifts into related settlements <sup>2</sup>	£0	Value of same day additions <sup>3</sup>	£0	<b>Value of Notional transfer</b>	<b>£0</b>	Aggregate chargeable transfer	£0	<b>Effective rate</b>	<b>0.00%</b>	<b>IHT charge at 10 year</b>	<b>£0 *</b>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current nil rate band</td> <td style="width: 20%; text-align: right;">£325,000</td> </tr> <tr> <td>Previous Chargeable Lifetime Transfers<sup>4</sup></td> <td style="text-align: right;">£0</td> </tr> <tr> <td>Chargeable payments to beneficiaries in last 10 years<sup>5</sup></td> <td style="text-align: right;">£0</td> </tr> <tr> <td><b>Available nil rate band for periodic charge</b></td> <td style="text-align: right;"><b>£325,000</b></td> </tr> <tr> <td>Notional IHT (20% of aggregate chargeable transfer)</td> <td style="text-align: right;">£0</td> </tr> <tr> <td><b>Actual rate</b></td> <td style="text-align: right;"><b>0.00%</b></td> </tr> </table>	Current nil rate band	£325,000	Previous Chargeable Lifetime Transfers <sup>4</sup>	£0	Chargeable payments to beneficiaries in last 10 years <sup>5</sup>	£0	<b>Available nil rate band for periodic charge</b>	<b>£325,000</b>	Notional IHT (20% of aggregate chargeable transfer)	£0	<b>Actual rate</b>	<b>0.00%</b>
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<sup>1</sup> Value of the 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. Where this applies enter the value of the related trust(s) immediately after they commenced into this box.  
 A trust may also be related where an addition has been made on the same day to two or more trusts. Where this applies, enter the value of the related trust(s) immediately after they commenced 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. Do not include gifts to this trust or amounts already reported under the related settlements section.  
<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.


Discretionary Trust UK IHT calculator

Initial value of gift into trust	£0	Nil rate band	£325,000
Gifts into related settlements <sup>1</sup>	£0	Previous Chargeable Lifetime Transfers <sup>3</sup>	£0
Additional values gifted into trust since setup	£0	Number of complete quarters since inception	0
Value of same day additions <sup>2</sup>	£0		
<b>Value of Notional transfer</b>	<b>£0</b>	<b>Available nil rate band for exit charge</b>	<b>£325,000.00</b>
Aggregate chargeable transfer	£0	Notional IHT (20% of aggregate chargeable transfer)	£0
<b>Effective rate</b>	<b>0.00%</b>	<b>Exit rate</b>	<b>0.00%</b>
Distribution amount <sup>4</sup>	£0	IHT charge on exit if tax deducted from payment	£0*
		IHT charge on exit if tax deducted from trust fund	£0*

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<sup>1</sup> Trusts are related if the settlor is the same and they were declared on the same day. Where this applies enter the value of the related trust(s) immediately after they commenced into this box.  
 A trust may also be related where an addition has been made on the same day to two or more trusts. Where this applies, enter the value of the related trust(s) immediately after they commenced 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. Do not include gifts to this trust or amounts already reported under the related settlements section.  
<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.


Discretionary Trust UK IHT calculator

Distribution amount <sup>1</sup>	£0	Number of complete quarters since last periodic charge	0
Actual rate at previous periodic charge <sup>2</sup>	0.00%	IHT charge on exit if deducted from payment	£0 *
		IHT charge on exit if deducted from trust fund	£0 *

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<sup>1</sup> This is the payment amount to a beneficiary  
<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

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**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

**Periodic Charge summary**

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

**Exit charge summary**

Distribution amount	£0.00
Exit rate	0.00%
Exit Charge if deducted from payment	£0
Exit Charge if deducted from trust fund	£0

**Quilter**

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

This tool allows you to calculate 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.

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