

## Technical insights - Quick Reference Guide

*Taxation considerations of designated accounts*

*This guide helps you understand the tax consequences of establishing a designated account in conjunction with a Collective Investment Account (CIA) as well as the ongoing tax treatment of income and gains.*

References to designated account refers to irrevocable designations only. An account name or label (known as a revocable designation) does not create a formal legal structure and therefore this guide is not applicable.

### Creating a legacy for children and/or grandchildren

Parents and grandparents (as well as other relatives and friends) often want to give money or assets to their children or grandchildren. Where a 'gift' is being made to a child, it's important to consider why the investment is being made and what type of investment would be most appropriate. There are many options, those offered by Quilter are explained here: ***Saving for children – what options are available and what do I need to know? | Quilter***

If the investment needs to be for the long term, investing in stocks and shares or collective investments may be suitable, as it allows investors to spread the investment risk over the term for even modest sums.

The (collective) investment account cannot be set up in the child's name, so the individual making the 'gift' must apply for it and hold it in their own name, but for the ultimate benefit of the child.

How this is structured will affect the tax consequences for both the child and the adult donor.

### A simple bare trust structure using irrevocable designations

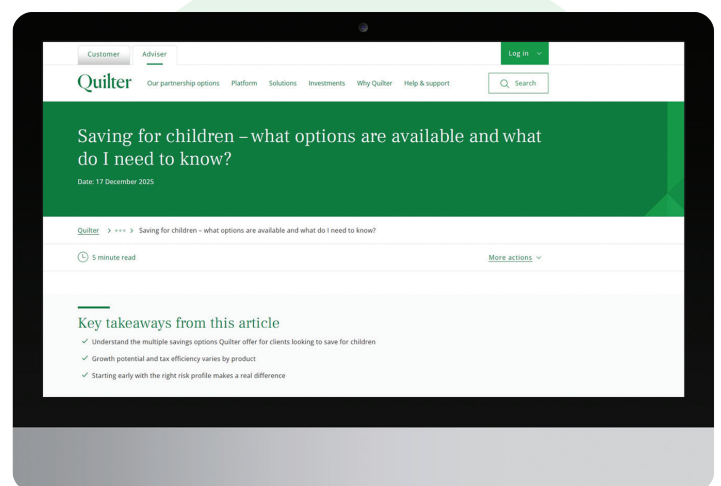
By setting up the Collective Investment Account (CIA) which Quilter and applying an irrevocable designation, the investor creates an absolute trust in favour of the designee, the child (beneficiary). Where the designee is more than one child, each child will receive an equal share of the investment.

The individual who sets up the account cannot access the funds for their own benefit once created (i.e. it is irrevocable) or change who will receive the funds. When the child reaches the age of 18, they become legally entitled to their share of the funds.

A trust (including designated accounts, must register with HMRC's Trust Registration Service (TRS) if it is considered UK resident or has a UK tax liability.

The trust (designated account) must register within 90 days of the trust date and proof of registration must be sent to Quilter.

Further details regarding trust registration can be found here: [www.quilter.com/siteassets/documents/platform/guides-and-brochures/qip22888\\_registering\\_trust-guide.pdf](http://www.quilter.com/siteassets/documents/platform/guides-and-brochures/qip22888_registering_trust-guide.pdf)



*Suitable for financial advice professionals only*

