Chartered Insurance Institute

J02

Diploma in Financial Planning

Unit J02 – Trusts

September 2026 Exam Guide

SPECIAL NOTICES

Candidates entered for the March 2027 exam should study this exam guide carefully in order to prepare themselves for the exam.

Practice in answering the questions is highly desirable and should be considered a critical part of a properly planned programme of exam preparation.

J02 – Trusts

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This PDF document has been designed to be accessible with screen reader technology. If for accessibility reasons you require this document in an alternative format, please contact us on ***online.exams@cii.co.uk*** to discuss your needs.

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

The purpose of this Exam Guide is to help you understand how examiners seek to assess the knowledge and skill of candidates. You can then use this understanding to help you demonstrate to the Examiners that you meet the required levels of knowledge and skill to merit a pass in this unit. During your preparation for the exam, it should be your aim not only to ensure that you are technically able to answer the questions but also that you can do justice to your abilities under exam conditions.

Before the exam

Study the syllabus carefully
It is crucial that you study the relevant syllabus carefully, which is available online at www.cii.co.uk, on the relevant qualification page. All the questions in the exam are based directly on the syllabus. *You will be tested on the syllabus alone,* so it is vital that you are familiar with it.

Note the assumed knowledge
For the Diploma in Financial Planning, candidates are assumed to have studied the relevant units of the Certificate in Financial Planning or the equivalent. This knowledge is set out on the relevant syllabus.

Read widely
To get the most out of your learning, it's important to explore beyond just one textbook. Relying solely on a single study text may not give you all the depth or perspectives you need. While the main study materials are designed to cover the syllabus, they might not always explain things in a way that works for you—or offer alternative viewpoints that deepen your understanding.

That's why reading around the subject is so valuable. If a topic feels unclear or you're curious to see how others approach it, looking at different sources can really help. Think of it as building a richer, more rounded picture of what you're learning.

Build confidence in your knowledge and ability to apply it.

Make full use of the Exam Guide
This Exam Guide contains a full exam paper and model answers. The model answers show the types of responses the examiners are looking for and which would achieve maximum marks. *However, you should note that there are alternative answers to some question parts which would also gain high marks.* For the sake of clarity and brevity not all of these alternative answers are shown.

This guide and previous Exam Guides can be treated as 'mock' exam papers. Attempting them under exam conditions as far as possible and then comparing your answers to the model ones should be seen as an essential part of your exam preparation.
The Examiner's comments on candidates' actual performance in each question provide further valuable guidance. You can obtain copies of the two most recent exam guides free of charge on the relevant qualification page at www.cii.co.uk.

Know the layout of the tax tables

Familiarise yourself with the tax tables printed at the back of the Exam Guide. The tax tables enable you to concentrate on answering the questions without having to worry about remembering all the information. *Please note that you are not allowed to use your own tax tables in the exam, these are provided in the portal when you sit the exam.*

Know the structure of the exam

- Assessment is by means of a two-hour online written exam.
- All questions are compulsory.
- The exam is made up of 15 short questions.
- Each question part will clearly show the maximum marks which can be earned.
- The exam will carry a total of 130 marks.

You can also access previous exam papers and test specifications **here**.

Assessment Information and Rules and Policies for candidates

Please review the assessment information and rules and policies for candidates. Full details of the administrative arrangements and the regulations governing your exam entry are available online.

On-screen written exam familiarisation

The familiarisation test allows you to experience using the assessment platform before your exam.

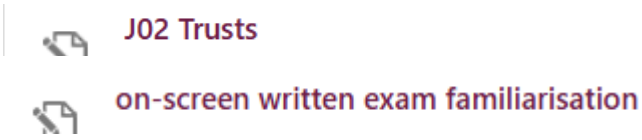
Please note, that while there might be slight differences in layout, it will give you a good idea of how to navigate and use the platform functionality. This test is for the purpose of familiarisation with the assessment platform only.

You can access the familiarisation test at any time. It can be found **here**.

We strongly recommend that you take the familiarisation test to ensure you are familiar with the on-screen assessment platform experience.

If you have previously sat any of the CII's multiple-choice exams, please note this familiarisation experience has a different set up.

On the day of the J02 exam, please click **J02 Trusts** to start the exam:



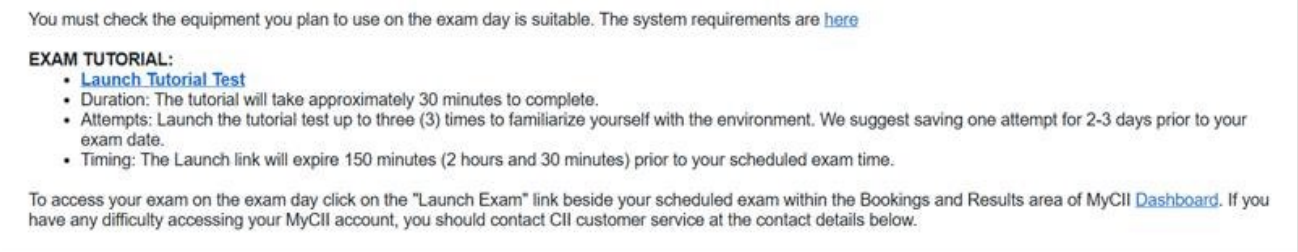
We would recommend that prior to starting the exam, you may wish to take a moment at this screen to jot down any notes on paper that may assist you during the exam.

Please note the exam timer will not start until you click the exam titled: **J02 Trusts.**

Important information for remote invigilation candidates only

If you are taking the exam through remote invigilation, **we strongly advise that you try the online Tutorial test** once you have received your exam login details and well in advance of the actual exam day. This test is different to the familiarisation test.

You will receive the below information via email before your exam date.



You must check the equipment you plan to use on the exam day is suitable. The system requirements are here

EXAM TUTORIAL:

- Launch Tutorial Test
- Duration: The tutorial will take approximately 30 minutes to complete.
- Attempts: Launch the tutorial test up to three (3) times to familiarize yourself with the environment. We suggest saving one attempt for 2-3 days prior to your exam date.
- Timing: The Launch link will expire 150 minutes (2 hours and 30 minutes) prior to your scheduled exam time.

To access your exam on the exam day click on the "Launch Exam" link beside your scheduled exam within the Bookings and Results area of MyCII Dashboard. If you have any difficulty accessing your MyCII account, you should contact CII customer service at the contact details below.

This Exam Tutorial will help you feel confident and prepared for exam day. It guides you through the system and helps identify any potential issues with your equipment in advance, reducing the risk of technical problems during your exam.

Please note you are strongly advised not to use a laptop provided by your employer.

Laptops and IT equipment provided by your employer typically include security protocols that conflict with any remote invigilation software. You should also avoid using a corporate Wi-Fi or any other internet connection that may include firewalls that you cannot personally control.

The exam platform no longer supports Windows 10 or macOS Ventura for any online testing. These operating systems no longer meet the minimum technical requirements. Continuing to use them may introduce compatibility issues, affecting performance during test sessions.

It is fundamentally important that, if you are sitting an exam via remote invigilation, you read all of the documents on this page; How to prepare for your on-screen written exam by remote invigilation.

If there is anything you are unsure of, or if you have not received the tutorial email, please contact Customer Service (telephone +44 (0)20 8989 8464 Mon to Fri: 9am – 5pm (UK time), email customer.serv@cii.co.uk, Webchat service: Mon-Fri: 8am-4pm (GMT)) as soon as possible, as this may affect your exam sitting.

On the exam day

The following will help:

Spend your time in accordance with the allocation of marks:

- The marks allocated to each question part are shown on the paper.
- If a question has just two marks allocated, there are likely to be only one or two points for which the examiner is looking for, so a long answer is wasting valuable time.
- Conversely, if a question has 12 marks allocated, a couple of lines will not be an adequate answer. Always remember that if the paper is not completed, your chances of passing will be reduced considerably.
- Do not spend excessive time on any one question; if the time allocation for that question has been used up, flag the question, go on to the next question and return to the incomplete question after you have completed the rest of the paper, if you have time.

Take great care to answer the question that has been set.

- Before you start writing, take a moment to think carefully about what the question is really asking. Understanding the examiner's requirements is key to producing a strong, focused answer.
- Highlighting key words and phrases is a technique many candidates find useful.
- The model answers provided in this Exam Guide would gain full marks. Alternative answers that cover the same points and therefore answer the question that has been asked would also gain full marks.

Order of answering questions

Answer the questions in whatever order feels most comfortable. Generally, it is better to leave any questions which are felt to be challenging until the more familiar questions have been attempted but *remember not to spend excessive time on the questions you are most confident about.* You are able to flag questions and then go back to them.

Answering different question parts

It is vital to label all parts of your answer correctly as many questions have multiple parts to them (for example, question 1(a) may have parts (i), (ii) and (iii)). Failure to fully distinguish between the separate question parts may mean that full credit cannot be awarded. It is also important to note that a full answer must be given to each question part and candidates should not include notes such as 'refer to answer given in 1(b)(i)'.

Always read all parts of a question before starting to answer it, otherwise you may find that after answering part (a), the answer you have given is more appropriate to part (b) and it may be necessary to duplicate some of the answer.

Answer format

Subject to providing sufficient detail you are advised to be as brief and concise as possible, using note format and short sentences.

Marks <u>are not</u> lost for incorrect spelling or grammar.

Calculators

The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation in your answer, even if you have used a calculator. You are permitted to use your own non-programmable calculator.

Tips for laying out calculations in on-screen written exams

Where you are asked to perform a calculation, it is important to show **all the steps** in your answer. Most of the marks will be allocated for demonstrating the correct method of calculation.

While there are no marks for presentation, laying the calculation out well will make it easier for the examiner to identify all of the marks you have achieved. It does not matter how long the calculation is, if it is well set out. There is no preferred format but following the below guidelines is often helpful:

- Set out each stage of your calculation on a separate line.
- Label the values used i.e. in the trust calculation:
    - Settlement - £500,000,
    - Annual allowances - £6,000
- Identify all allowances, exemptions, tax rate bands, tax rates used in £ terms.
- Use subtotals, where appropriate. For example:
    - Settlement - £500,000
    - Annual allowances – (£6,000)
    - = £494,000
- Show all your workings. This could include:
    - grossing up of the 20% lifetime rate
- Double check all of your figures, specifically:
    - That you have calculated each section correctly.
    - That you have added up all of your figures correctly.

EXAMINERS' COMMENTS

Senior examiner's comments overall:

Candidates performed well overall. There were some good answers to questions which tested the main areas of the syllabus, including the benefits of writing a life insurance policy under a discretionary trust for the purposes of family protection, the Capital Gains Tax (CGT) treatment of the disposal of investments in a discretionary trust and how a loan trust operates.

There were also some very good answers on the tax treatment of charitable trusts and the tax benefits of gifting into a charitable trust.

However, candidates did not perform as well on questions relating to some of the less frequently tested areas of the syllabus, including the statutory duty of care, accumulation and maintenance trusts and the trustees' responsibility for the reporting and payment of a trust's Income Tax liability.

Senior examiner comments per question:

Question 1
The exam started with a question asking candidates to outline the legal definition of a trust. This question was generally well answered although some candidates incorrectly provided answers based on the three certainties.

Question 2
In part (a), candidates were asked to explain briefly the statutory duty of care imposed on trustees in the Trustee Act 2000. This question was not well answered with very few candidates achieving full marks.

Part (b) required candidates to describe briefly what trustee functions the statutory duty of care applies to. This question was also not well answered, although a mark commonly awarded to candidates was for identifying the exercise of investment powers.

Question 3
This question asked candidates to describe the benefits of writing a life insurance policy under a discretionary trust for the purposes of family protection. This question was generally well answered by candidates who had prepared well for the exam.

Question 4
In part (a), candidates had to explain the perpetuity periods that would apply to each of Edward's two trusts. This required candidates to identify the change in the rules for trusts created after 6 April 2010. There were many candidates who correctly identified the trust created on 1 March 2012 would have a perpetuity period of 125 years. There were some mixed answers to the period which applied to the trust created on 1 September 2005.

Part (b) required candidates to explain briefly the accumulation period for the trust created on 1 March 2012. Many candidates correctly stated there is no restriction in accumulating income, although few candidates were awarded full marks.

Question 5

This question tested accumulation and maintenance (A&M) trusts and the change of Inheritance Tax (IHT) treatment following the Finance Act 2006.

In part (a), candidates were asked to describe briefly the non-tax features of Gordon's A&M trust. This question was not particularly well answered, although a mark commonly awarded to candidates was for stating that the trustees had the power to apply income for the maintenance, education or benefit of the beneficiaries.

Part (b) asked candidates to explain briefly the IHT treatment of Gordon's A&M trust since 6 April 2008. This required candidates to identify from the mini-case study that as the trust had not been changed prior to 6 April 2008 to give the beneficiaries an absolute entitlement, the trust would be treated as a relevant property trust. Those who did were generally also awarded for marks for stating periodic and exit charges would apply. However, many candidates did not perform well in this question.

Question 6

Part (a) required candidates to state how a charitable trust is taxed on income and gains. This was a question in which most candidates were awarded full marks.

In part (b), candidates were asked to explain the tax benefits to an individual donor of making a gift into a charitable trust during their lifetime or on death. This question was generally well answered.

Question 7

In part (a), candidates had to explain the main functions of the Office of the Public Guardian (OPG). This is a core part of the syllabus, and few candidates gained high marks.

Part (b) required candidates to explain the role of the individual holding the position of the Public Guardian. This question was not well answered.

Question 8

This question tested the impact of two individuals writing mutual Wills and one person revoking their Will without the consent of the other.

Part (a) required candidates to describe briefly the effect of Pavel revoking his Will on Dina. Although mutual Wills are not commonly used, there were some good answers from candidates who had studied this area in their preparation for the exam.

In part (b), candidates were asked to describe briefly the conditions that must be met for a person to voluntarily revoke their Will in writing. A lot of candidates earned marks as they set out the formalities needed to make a Will in their answer.

Question 9

This question asked candidates to explain the impact of Jackson's bankruptcy on the trust he had created. This required candidates to identify that he had been made bankrupt within two years of creating the trust and a good attempt was made to answer this question in general.

Question 10

This question required candidates to explain the trustees' responsibility for the reporting and payment of a trust's Income Tax liability. Although there were some very good answers to this question, this was a question many candidates did not perform well in. Answers generally demonstrated a lack of level knowledge in this area, with the dates of the payments on account causing a particular issue.

Question 11

In part (a), candidates had to calculate the periodic charge payable on the 10-year anniversary of the trust using the information provided in the mini-case study. There was a decent attempt to answer this question overall, although few candidates gained full marks due to not using the effective rate of tax to calculate the periodic charge (i.e. £430,000 x 1.47%). There were also some candidates who lost marks as they didn't attempt to calculate the effective rate of tax.

Part (b) asked candidates to calculate the exit charge payable when the trust fund was distributed to the beneficiaries. Candidates were not penalised where they had incorrectly calculated the effective rate of tax in part (a) and this question was generally well answered.

Question 12

Part (a) required candidates to describe how Rita can create a bare trust with her new life insurance policy. Many candidates were awarded marks for identifying Rita will be required to complete a trust declaration appointing her sister as a trustee, but answers generally lacked the detail required to achieve full marks.

Part (b) asked candidates to describe briefly the IHT treatment of the life insurance policy premiums. This was generally very well answered.

Question 13

This question included a mini-case study in which the trustees of a discretionary trust had disposed of the investments in a General Investment Account (GIA) and the proceeds of the sale had been distributed to the beneficiary, Sara.

Part (a) asked candidates to explain the tax treatment of the gain when the trustees disposed of the investments. Many candidates performed well in this question.

Part (b) required candidates to explain how the gain would have been taxed if the investments had been transferred to Sara prior to disposal. This question was also well answered, although some candidates explained how Sara would be liable to CGT without explaining that she and the trustees would need to jointly claim holdover relief. This is an important part of the answer, as without claiming holdover relief, the tax treatment would have been the same as described in part (a).

Question 14

This question asked candidates to describe how a loan trust operates. Loan trusts are frequently tested in J02, and this question was generally well answered.

Question 15

The final question of the exam asked candidates to state six factors the trustees should consider before making a distribution to Kian, using the information in the mini-case study provided. This question was reasonably well answered.

Unit J02 – Trusts

Instructions to candidates

Read the instructions below before answering any questions.

All questions in this exam are based on English law and practice applicable in the tax year 2026/2027, unless stated otherwise in the question, and should be answered accordingly. It should be assumed that all individuals have long-term UK residence status unless otherwise stated.

If you are sitting via remote invigilation please

- **Write down the following number +44 (0)80 8273 9244. This is the number to call if you experience any technical issues.**
- Show your ID to the camera now, if you did not do so during the ID checks.
- Show the edge of your screen with a mirror, if you did not do this during the room scan.
- Show any blank sheets of paper for notes, if you did not show both sides to the camera during the room scan.

If you are sitting in a test centre and encounter a problem please alert the invigilator.

For candidates sitting via remote invigilation or at a test centre

- **Two hours** are allowed for this paper which consists of 15 short answer questions and carries a total of 130 marks.
- You are strongly advised to attempt **all** questions to gain maximum possible marks.
- The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation, even if you have used a calculator.
- **Tax tables are provided at the right-hand side of the interface after the question paper, this is different to the multiple choice exams.**
- For each answer, please type in the full question number you are answering e.g. **1a**
- **Please note each answer must be typed in the correct corresponding answer box**
- **If you are wearing a headset, earphones, smart watch please take them off. No watches are allowed.**
- Please familiarise yourself with **all** questions before starting the exam.

Subject to providing sufficient detail you are advised to be as brief and concise as possible, using note format and short sentences.

Attempt ALL questions

Time: 2 hours

To gain maximum marks in a calculation, you must show all your workings and express your answers to two decimal places.

PLEASE ENSURE YOU TYPE EACH ANSWER PER QUESTION IN THE CORRECT ANSWER BOX

1. Outline the legal definition of a trust. **(6)**

2. **(a)** Explain briefly the statutory duty of care imposed on trustees in the Trustee Act 2000. **(3)**

(b) Describe briefly what trustee functions the statutory duty of care applies to. **(3)**

3. Describe the benefits of writing a life insurance policy under a discretionary trust, for the purposes of family protection. **(10)**

4. Edward has settled two non-charitable trusts during his lifetime, one on 1 September 2005 and the other on 1 March 2012.

(a) Explain the perpetuity periods that would apply to **each** of Edward's two trusts. **(6)**

(b) Explain briefly the accumulation period for the trust that was settled on 1 March 2012. **(3)**

5. Gordon created an accumulation and maintenance (A&M) trust on 1 March 2004. The trust is still in force and was not changed before 6 April 2008 to give the beneficiaries an absolute entitlement.

(a) Describe briefly the non-tax features of Gordon's A&M trust. **(4)**

(b) Explain briefly the Inheritance Tax (IHT) treatment of Gordon's A&M trust since 6 April 2008. **(5)**

PLEASE ENSURE YOU TYPE EACH ANSWER PER QUESTION IN THE CORRECT ANSWER BOX

6. **(a)** State how a charitable trust is taxed on income and gains. **(2)**

(b) Explain the tax benefits to an individual donor of making a gift into a charitable trust during their lifetime or on death. **(6)**

7. **(a)** Explain the main functions of the Office of the Public Guardian. **(7)**

(b) Explain briefly the role of the individual holding the position of the Public Guardian. **(3)**

8. Pavel and Dina wrote mutual Wills five years ago. Pavel died on 1 September 2026 and Dina has recently discovered he revoked his will two years ago without her consent.

(a) Describe briefly the effect of Pavel revoking his Will on Dina. **(3)**

(b) Describe briefly the conditions that must be met for a person to voluntarily revoke their Will in writing. **(3)**

9. Jackson is the settlor of a trust created with a cash sum of £50,000 on 1 January 2026. He was declared bankrupt on 1 September 2026.

Explain the impact of Jackson's bankruptcy on the trust. **(6)**

10. Explain the trustees' responsibility for the reporting and payment of a trust's Income Tax liability. **(10)**

11. A discretionary trust was created with a gift of £350,000 on 1 April 2013. The value of the trust on 1 April 2023 was £430,000. On 1 April 2026, the trustees distributed the whole trust fund valued at £460,000 to the beneficiaries. The settlor has created no other trusts.

(a) Calculate, **showing all your workings**, the periodic charge payable on the 10-year anniversary. **(9)**

(b) Calculate, **showing all your workings**, the exit charge payable when the trust fund was distributed to the beneficiaries. **(4)**

PLEASE ENSURE YOU TYPE EACH ANSWER PER QUESTION IN THE CORRECT ANSWER BOX

12. Rita has applied for a regular premium life insurance policy. She would like to appoint her sister as trustee under a bare trust for the benefit of Rita's minor children.

(a) Describe how Rita can create the bare trust with her new life insurance policy. **(5)**

(b) Describe briefly the IHT treatment of the life insurance policy premiums. **(3)**

13. The trustees of a discretionary trust disposed of the investments in a General Investment Account (GIA) on 1 August 2026, making a gain of £10,000. The settlor had created no other trusts.

The sale proceeds were distributed to the beneficiary, Sara, who will have total income of £30,000 in the 2026/2027 tax year.

(a) Explain the tax treatment of the gain when the trustees disposed of the investments in the GIA. **(5)**

(b) Explain how the gain would have been taxed if the investments in the GIA had been transferred to Sara prior to disposal. **(6)**

14. Describe how a loan trust operates. **(12)**

15. Arthur is the settlor of a discretionary trust created three years ago for the benefit of his four grandchildren. The only trust asset is an investment bond. Arthur's eldest grandchild, Kian, is buying his first home and has asked the trustees for some help with a deposit.

State **six** main factors the trustees should consider before making a capital distribution to Kian. **(6)**

Total marks: 130

NOTE ON MODEL ANSWERS

The model answers given are those which would achieve maximum marks. However, there are alternative answers to some question parts which would also gain high marks. For the sake of clarity and brevity not all of these alternative answers are shown. An oblique (/) indicates an equally acceptable alternative answer.

Model answer for Question 1

- It is an arrangement where the settlor;
- creates a legal obligation over property;
- that requires the trustee(s);
- to manage the property/over which the trustees have control;
- for the benefit of the beneficiaries;
- any one of whom may enforce the obligation.

Model answer for Question 2

(a)

- Trustees must exercise such care and skill as is reasonable in the circumstances.
- They must have regard to any special knowledge or expertise they have or hold themselves out to have;
- and if they act as a trustee in the course of a business or profession, any special knowledge or experience that is reasonable to expect of a person acting in the course of that kind of business or profession.

(b) *Candidates would have gained full marks for any three of the following:*

- Exercise of investment powers.
- Acquisition of land.
- Appointment or delegation of Agents/nominees/custodians.
- Insurance of trust property.

Model answer for Question 3

- The policy proceeds can be paid quickly without having to wait for Probate;
- if there is at least one surviving trustee.
- The policy is usually outside the policyholder's estate for Inheritance Tax (IHT) purposes.
- The policy proceeds will be paid to the intended beneficiaries via the trustees.
- The settlor can be a trustee;
- and maintain some control over/choose who benefits;
- when they benefit;
- and in what share.
- Beneficiaries from different generations can benefit/unborn beneficiaries.
- Protection against divorce/bankruptcy/spendthrifts/protection for vulnerable beneficiaries.

Model answer for Question 4

(a) *Candidates would have gained full marks for any six of the following:*

Edward's trust (1 September 2005)

- A fixed period of up to 80 years;
- from the date the trust was created.

or

- The lifetime of a specified person alive when the trust was created;
- plus 21 years;

- The 1964 Act provides that a younger age;
- down to 21, can be substituted if doing so would make the trust valid.

Edward's trust (1 March 2012)

- A single 125-year perpetuity period;
- that applies regardless of whether any perpetuity period is specified in the trust instrument.

(b)

- There is no restriction in accumulating income;
- so trustees will be able to accumulate income for the whole trust period.
- A shorter trust period may still be chosen and incorporated into the trust deed.

Model answer for Question 5

(a)

- A trust in which one or more beneficiaries would become legally entitled to capital/income of the trust;
- upon attaining a specified age not exceeding 25.
- The income could be accumulated by the trustees until the beneficiaries attained the specified age;
- or they had the power to apply income for the maintenance, education or benefit of the beneficiaries.

(b)

- It became a relevant property trust from 6 April 2008.
- Periodic charges;
- and exit charges may be payable after 6 April 2008.
- The 10-year anniversaries would arise by reference to the original date of the settlement;
- and the charge will be based on number of complete quarters from 6 April 2008 to the 10-year anniversary of the original date of the settlement.

Model answer for Question 6

(a)

- The investment income of a charitable trust is exempt from income tax.
- A charitable trust is also exempt from Capital Gains Tax (CGT) provided it is applied for charitable purposes.

(b) *Candidates would have gained full marks for any six of the following:*

- Gifts of assets to charities are generally exempt from CGT.
- Outright gifts to charities made by individuals during their lifetime are exempt from IHT.
- Any amounts left to charity on death, under the terms of an individual's will, are also exempt from IHT;
- this applies whether the legacy is an outright gift or is in fact a transfer of wealth into a charitable trust.
- If 10% or more of an individual's net estate (i.e. after reliefs and exemptions) is left to charity by a will;
- the usual 40% rate of IHT payable will be reduced to 36%.
- Gifts to charitable trusts may also qualify for income tax relief under gift aid or a payroll giving scheme.

Model answer for Question 7

(a)

- Maintaining a register of lasting power of attorneys (LPAs) and enduring power of attorneys (EPAs);
- maintaining a register of court orders that appoint deputies;
- supervising deputies;
- dealing with complaints about attorneys and deputies;
- working with other organisations such as social services; and
- providing reports to the Court of Protection (COP), as requested;
- and dealing with cases where there are concerns raised about the way in which attorneys or deputies are carrying out their duties.

(b)

- Is an individual whose role is to protect people, who lack capacity, from abuse.
- They are personally responsible for management and organisation of the Office of the Public Guardian (OPG);
- including the use of public money and the way the OPG manages its assets.

Model answer for Question 8

(a) *Candidates would have gained full marks for any three of the following:*

- As Pavel broke an agreement not to revoke his Will without Dina's consent;
- she will be released from the obligation not to revoke her Will.
- Dina has a right to sue for damages for breach of contract;
- although the amount is likely to be negligible.

(b) *Candidates would have gained full marks for any three of the following:*

- The person must have mental capacity.
- The document must set out their intention to revoke;
- and must be executed in the same formalities needed to make a Will;
- or include an information declaration where the testator is entitled to make a privileged Will.

Model answer for Question 9

Candidates would have gained full marks for any six of the following:

- The trust can be attacked under the prior transaction provisions.
- The Trustee in Bankruptcy (TIB);
- can obtain a court order;
- setting aside the trust;
- without having to prove that Jackson was insolvent at the time;
- or that the trust was made with the intention of prejudicing creditors;
- as it's within two years of the date the trust was created.

Model answer for Question 10

Candidates would have gained full marks for any ten of the following:

- The trustees must complete a tax return under self-assessment.
- The must make interim payments on account;
- based on the previous year's Income Tax liability;
- by 31 January in the year of assessment;
- and by 31 July during the following year.
- A final balancing payment of the remaining tax payable;
- must be made by 31 January following the end of the tax year.
- The trustees are jointly and severally liable for any tax that it due;
- although they will often arrange for one trustee to deal with HMRC and submit the tax returns.
- Any unpaid tax can be recovered from any of the trustees;
- and any of the trustees may be personally liable to penalties incurred during the period in which they are a trustee.
- Keep records.

Model answer for Question 11

(a)

- £430,000
- Minus £325,000
- = £105,000
- £105,000 x 30% = £31,500
- £31,500 x 20% = £6,300
- £6,300/£430,000
- X 100
- = 1.47% effective rate
- £430,000 x 1.47% = £6,321

(b)

- £460,000
- X 12/40 = £138,000
- £138,000 x 1.47%
- = £2,028.60

Model answer for Question 12

(a) *Candidates would have gained full marks for any five of the following:*

- Rita will be required to complete a trust declaration/deed;
- in which she can be a trustee during her lifetime.
- The policy will be issued subject to the trust from outset.
- Rita can appoint her sister as trustee in the trust declaration;
- or by completing a Deed of Appointment;
- which incorporates an assignment to transfer legal title to the policy to all trustees.

(b)

- The premiums are transfers of value/ Potentially Exempt Transfers (PETs);
- although they may be covered by the normal expenditure out of income exemption;
- or the £3,000 annual exemption.

Model answer for Question 13

(a)

- The trustees;
- will be liable to CGT;
- on any gain in excess;
- of the annual exempt amount for the trust of £1,500;
- at the trustee rate of 24%.

(b) *Candidates would have gained full marks for any six of the following:*

- The trustees and Sara could jointly claim;
- holdover relief.
- There would be no CGT payable by the trustees on transfer.
- Sara would acquire the General Investment Account (GIA) at the original acquisition cost to the trustees.
- Sara would be liable to CGT when she disposes of the GIA.
- The gain would be taxed at 18%;
- in excess of Sara's annual exempt amount/£3,000.

Model answer for Question 14

Candidates would have gained full marks for any twelve of the following:

- The settlor sets up a trust and;
- makes an interest-free loan repayable on demand;
- to the trustees;
- who then invest this into an investment bond/collectives.
- No transfer of value for IHT occurs because the settlor has not made a gift.
- The settlor is usually appointed as one of the trustees.
- Any future investment growth is held for the benefit of the beneficiaries;
- and it accrues outside of the settlor's estate.
- Since the settlor is excluded from benefiting from the growth, the value of the capital used to fund the loan trust is effectively frozen in the estate.
- The settlor's entitlement from the trust is therefore limited to the amount of the original loan.
- If any loan balance is still unpaid at the time of death, it will form a part of the settlor's estate for IHT purposes and pass under the will or under the intestacy rules.
- The settlor has control over, and access to, their original loan capital, and can demand the balance of the outstanding loan at any time.
- The loan can be repaid in ad hoc/regular instalments/withdrawals can be made in a tax efficient manner from 5% pa single premium bond/as capital gain within the Annual Exempt Amount (AEA) for collectives.
- HMRC accepts that a starter gift is not required.
- There should be no gift with reservation (GWR)/pre-owned assets tax (POAT)/general anti-abuse rule (GAAR) issues because the settlor is not a beneficiary of the trust.

Model answer for Question 15

Candidates would have gained full marks for any six of the following:

- Trust powers/provisions.
- The trustees have a duty to consider all beneficiaries.
- Likely capital needs of his other grandchildren.
- Tax implications.
- Costs.
- How much does he need.
- Advice.
- Settlor's wishes.

Glossary of terms

Some abbreviations candidates can use in online written exams:

- ATR – Attitude to risk
- AEA – Annual Exempt Amount
- BRT – Basic rate taxpayer
- BIK – Benefit in kind
- CLT – Chargeable lifetime transfer
- CFL – Capacity for loss
- CGT – Capital Gains Tax
- DOV – Deed of variation
- DIS – Death-in-Service
- DFM – Discretionary Fund Manager
- ESG – Environmental, Social and Governance
- EPT – Excluded property trust
- EPA – Enduring power of attorney
- ERC – Early repayment charges
- FAD – Flexi-access drawdown
- FSCS – Financial Services Compensation Scheme
- FOS – Financial Ombudsman Service
- GAR – Guaranteed annuity rate
- GWR – Gift with reservation
- HRT – Higher-rate taxpayer
- IHT – Inheritance Tax
- IT – Income Tax
- LPA – Lasting power of attorney
- LTA – Lifetime allowance
- MVR – Market value reduction
- MPAA – Money purchase annual allowance
- NICs – National Insurance contributions
- NPA – Normal pension age
- NRA – Normal retirement age
- NRB – Nil rate band
- OPG – Office of the Public Guardian
- OEIC – Open ended investment company
- PAYE – Pay As you Earn
- PPP – Personal pension plan
- PCLS – Pension commencement lump sum
- PA – Personal allowance
- PSA – Personal savings allowance
- POAT – Pre-owned asset tax
- PET – Potentially Exempt Transfer
- RAC – Retirement annuity contract
- RNRB – Residence nil rate band
- SIPP – Self-invested personal pension plan
- SEIS – Seed Enterprise Investment Scheme
- SRB – Standard rate band
- TIB – Trustee in Bankruptcy
- UFPLS – Uncrystallised funds pension lump sum
- VCT – Venture capital trust

September 2026 Exam - J02 Trusts		
Question Number	**Syllabus learning outcomes being examined**	
1.	1.1	Explain the legal structure of a trust;
2.	1.2	Describe the role and legal standing of the main parties of a trust;
3.	1.3	Explain why trusts are used including their benefits and drawbacks.
4.	2.1	Explain the different methods and rules of creating a trust;
5.	2.2	Describe the various types of trusts;
6.	3.3	Explain charitable trusts and their use;
7.	4.3	Describe the role of the Office of the Public Guardian;
8.	5.3/ 5.4	Explain the process for changing a Will/intestacy after death; Explain the implications of revoking, challenging or changing a Will;
9.	6.2	Describe the roles of the main parties involved in the bankruptcy process.
10.	7.1	Explain the tax liability of trustees and their responsibilities under self-assessment;
11.	7.4	Analyse the implications of Inheritance Tax in relation to the various types of trusts;
12.	8.1	Explain how life polices, pensions and other investments can be placed in trust;
13.	8.4	Explain the tax implications on life policies, pensions and other investments in trust.
14.	9.1	Apply trust and related tax planning solutions to meet client objectives and minimise tax liabilities;
15.	9.2	Describe events which may give rise to the need for a review of trust arrangements.

All questions in the March 2027 paper will be based on English law and practice applicable in the tax year 2026/2027, unless stated otherwise and should be answered accordingly.

The Tax Tables which follow are applicable to the September 2026 and March 2027 exams.

INCOME TAX

RATES OF TAX	2025/2026	2026/2027
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£37,700	£37,700
Threshold of taxable income above which additional rate applies	£125,140	£125,140
High income child benefit charge:	1% of benefit per £200 of adjusted net income between £60,000 – £80,000	

**Only applicable to savings income that falls within the first £5,000 of income in excess of the personal allowance.*

Personal savings allowance (for savings income):		
Basic rate taxpayers	£1,000	£1,000
Higher rate taxpayers	£500	£500
Additional rate taxpayers	Nil	Nil
Dividend allowance	£500	£500
Dividend tax rates		
Basic rate	8.75%	10.75%
Higher rate	33.75%	35.75%
Additional rate	39.35%	39.35%
Trusts		
Income exemption up to**	£500	£500
Rate applicable to trusts		
- dividends	39.35%	39.35%
- other income	45%	45%

*** Where net income exceeds £500, the full amount is subject to Income Tax. Further, the £500 may need to be divided between other trusts in existence.*

From 6 April 2026, carried interest is taxed as Income Tax, not Capital Gains Tax.
Qualifying carried interest is subject to a 72.5% multiplier before applying Income Tax rates.
Class 4 NICs may also apply.

MAIN PERSONAL ALLOWANCES AND RELIEFS		
Income limit for Personal Allowance *§*	£100,000	£100,000
Personal Allowance (basic) *§*	£12,570	£12,570
Married/civil partners (minimum) at 10% *†*	£4,360	£4,530
Married/civil partners at 10% *†*	£11,270	£11,700
Marriage/civil partners' Allowance	£1,260	£1,260
Income limit for Married Couple's Allowance*†*	£37,700	£39,200
Rent a Room scheme	£7,500	£7,500
Blind Person's Allowance	£3,130	£3,250
Enterprise Investment Scheme relief limit on £2,000,000 max***	30%	30%
Seed Enterprise Investment relief limit on £200,000 max	50%	50%
Venture Capital Trust relief limit on £200,000 max	30%	20%

§ The Personal Allowance reduces by £1 for every £2 of income above the income limit irrespective of age (under the income threshold).

† where at least one spouse/civil partner was born before 6 April 1935. Married couple's/civil partners' allowance reduced by £1 for every £2 of adjusted net income over £39,200 (£37,700 for 25/26) until minimum reached.
**** Investment above £1,000,000 must be in knowledge-intensive companies.*

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	Weekly
Lower Earnings Limit (LEL)	£129
Primary threshold	£242
Upper Earnings Limit (UEL)	£967

Total earnings £ per week	CLASS 1 EMPLOYEE CONTRIBUTIONS
Up to 242.00*****	Nil
242.00 – 967.00	8%
Above 967.00	2%

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £129 per week. This £129 to £242 band is a zero-rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. the New State Pension.*

Total earnings £ per week	CLASS 1 EMPLOYER CONTRIBUTIONS
Below £96.00**	Nil***
Over £96.00	15%

***Secondary threshold.*

****No employer NICs on the first £967 pw for employees generally under 21 years, apprentices under 25 years and veterans in first 12 months of civilian employment. No employer NICs on the first £481 pw for employees at freeports and investment zones in Great Britain in the first 36 months of employment*

Employment allowance £10,500 Per business – not available if sole employee is a director

CLASS 2 (self-employed) *	
Flat rate per week	£3.65
Small profits threshold per year	£7,105

Class 2 contributions are credited automatically where profits equal or exceed £7,105 per annum.

Class 2 contributions can be made voluntarily where profits are below £7,105 per annum.

Class 3 (voluntary)	Flat rate per week £18.40.
Class 4 (self-employed)	6% on profits between £12,570 and up to £50,270. 2% on profits above £50,270.

PENSIONS

TAX YEAR	LIFETIME ALLOWANCE
2012/2013 & 2013/2014	£1,500,000
2014/2015 & 2015/2016	£1,250,000
2016/2017 & 2017/2018	£1,000,000
2018/2019	£1,030,000
2019/2020	£1,055,000
2020/2021 – 2023/2024*	£1,073,100

**Lifetime allowance abolished from 6 April 2024.*

	2025/2026	2026/2027
Lump sum and death benefit allowance (LSDBA)	£1,073,100	£1,073,100
Lump sum allowance (LSA)	£268,275	£268,275

LSA and LSDBA may be higher if transitional protections are available.
Where pension benefits were crystallised prior to 6 April 2024 the LSA and LSDBA may be reduced.

Money purchase annual allowance (MPAA)	£10,000	£10,000

ANNUAL ALLOWANCE

TAX YEAR	ANNUAL ALLOWANCE
2014/2015 – 2022/2023	£40,000*
2023/2024	£60,000**
2024/2025	£60,000**
2025/2026	£60,000**
2026/2027	£60,000**

**Between 2016/17 and 2019/20 the annual allowance is reduced by £1 for every £2 of 'adjusted income' over £150,000 to a minimum of £10,000 where 'threshold income' is over £110,000.*

**Between 2020/21 and 2022/23 the annual allowance is reduced by £1 for every £2 of 'adjusted income' over £240,000 to a minimum of £4,000 if 'threshold income' is also over £200,000.*

***From 2023/24 the annual allowance is reduced by £1 for every £2 of 'adjusted income' over £260,000 to a minimum of £10,000 if 'threshold income' is also over £200,000.*

ANNUAL ALLOWANCE CHARGE

20% – 45% determined by the member's taxable income and the amount of total pension input in excess of the annual allowance or money purchase annual allowance.

CAPITAL GAINS TAX

ANNUAL EXEMPTIONS	2025/2026	2026/2027
Individuals, estates etc	£3,000	£3,000
Trusts generally	£1,500	£1,500
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000	£6,000
TAX RATES	**2025/2026**	**2026/2027**
Individuals:		
Up to basic rate limit	18%	18%
Above basic rate limit	24%	24%
Higher Rate	n/a	n/a
Trustees and Personal Representatives:		
Residential property	24%	24%
Other chargeable assets	24%	24%
Business Asset Disposal Relief*	14%	18%
Lifetime limit	£1,000,000	£1,000,000

**For trading businesses and companies (minimum 5% employee or director shareholding) if held for at least two years.*

*** For 25/26, rate for carried interest for all tax bands is 32%*

For 26/27, rate for carried interest for all tax bands is 34.075%

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2025/2026	2026/2027
Transfers made on death		
- Up to £325,000 (nil-rate band)	Nil	Nil
- Excess over £325,000	40%	40%
- Reduced rate (where appropriate charitable contributions are made)	36%	36%
Transfers		
- Lifetime transfers to and from certain trusts	20%	20%

MAIN EXEMPTION		
Transfers to		
- Long-term UK resident spouse/civil partner	No limit	No limit
- Spouse/civil partner who is not a long-term UK resident (from long-term UK resident spouse/ civil partner)	£325,000	£325,000
- UK-registered charities	No limit	No limit
- Residence nil rate band*	£175,000	£175,000

**Available for estates up to £2,000,000 and then tapered at the rate of £1 for every £2 in excess until fully extinguished.*

Lifetime transfers		
- Annual exemption per donor	£3,000	£3,000
- Annual small gifts exemption per donor	£250	£250

Gifts from surplus income are immediately exempt, as long as they are made from income, are made regularly and do not impact donor's standard of living.

Wedding/civil partnership gifts by		
- parent	£5,000	£5,000
- grandparent/bride and/or groom	£2,500	£2,500
- other person	£1,000	£1,000

100% relief: businesses, unlisted/AIM companies, certain farmland/building

100% relief on first £2.5m* of combined qualifying agricultural property relief and business property relief assets.

50% relief on qualifying assets exceeding £2.5m

AIM listed shares generally restricted to 50% relief regardless of value

* The £2.5m allowance is frozen until April 2031.
50% relief: certain other business assets

Reduced tax charge on gifts made in excess of the nil rate band within 7 years of death:

- Years before death	0-3	3-4	4-5	5-6	6-7
- Inheritance Tax payable	100%	80%	60%	40%	20%

Quick succession relief:

- Years since IHT paid	0-1	1-2	2-3	3-4	4-5
- Inheritance Tax relief	100%	80%	60%	40%	20%

MAIN SOCIAL SECURITY BENEFITS

		2025/2026	2026/2027
		£ (per week)	£ (per week)
Child Benefit	First child	26.05	27.05
	Subsequent children	17.25	17.90
	Guardian's allowance	22.10	22.95
Employment and Support Allowance	Assessment Phase Age 16 - 24	Up to 72.90	75.65
	Aged 25 or over	Up to 92.05	95.55
	Main Phase Work-related Activity Group	Up to 128.60	Up to 133.50
	Support Group	Up to 140.55	Up to 145.90
Attendance Allowance	Lower rate	73.90	76.70
	Higher rate	110.40	114.60
Basic State Pension	Category A full rate	176.45	184.90
	Category B (lower) full rate	105.70	110.75
New State Pension	Full rate	230.25	241.30
Pension Credit	Standard minimum guarantee - single	227.10	238.00
	Standard minimum guarantee - couple	346.60	363.25
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Support Payment	Higher rate – First payment	3,500.00	3,500.00
	Higher rate – monthly payment	350.00	350.00
	Lower rate – First payment	2,500.00	2,500.00
	Lower rate – monthly payment	100.00	100.00
Jobseeker's Allowance	Age 18 - 24	72.90	75.65
	Age 25 or over	92.05	95.55
Statutory Maternity, Paternity, Adoption, Neonatal Care, Shared Parental and Parental Bereavement Pay		187.18	194.32

CORPORATION TAX

	2025/2026	2026/2027
Small profit rate - for taxable profits below £50,000	19%	19%
Main rate - for taxable profits above £250,000	25%	25%

Companies with profits between £50,000 and £250,000 will pay tax at the effective rate of 26.5%. This provides a gradual increase in the effective Corporation Tax rate.

VALUE ADDED TAX

	2025/2026	2026/2027
Standard rate	20%	20%
Annual registration threshold	£90,000	£90,000
Deregistration threshold	£88,000	£88,000

STAMP DUTY LAND TAX

	Residential
Value up to £125,000	0%
£125,001 - £250,000	2%
£250,001 - £925,000	5%
£925,001 - £1,500,000	10%
£1,500,001 and over	12%

Additional Stamp Duty Land Tax (SDLT) rules apply as follows:

- *First-time buyers benefit from SDLT relief on first £300,000 for properties up to £500,000 when purchasing their mainresidence. On purchases up to £300,000, no SDLT is payable. On purchases between £300,001 and £500,000, a flat rate of 5% is charged on the balance above £300,000.*
- *Additional residential and all corporate residential properties*
  £40,000 or more – add 5% to SDLT rates, 8% to LBTT. LTT has separate higher rate bands.
- *Additional SDLT of 2% may apply to purchases by non-UK residents over £40,000.*

- *SDLT may be charged at 17% on interests in residential properties costing more than £500,000 purchased by certain corporate bodies or non-natural persons.*
- *SDLT is payable in England and Northern Ireland only. Land Transaction Tax(LTT) is payable in Wales and Land and Buildings Transaction Tax (LBTT) is payable in Scotland. Therates for LTT and LBTT are different to the rates shown above.*

	Non residential
Value up to £150,000	0%
£150,001 and £250,000	2%
£250,001 and over	5%