

Trusts

J02 2024–25 edition

Web update 1: 18 December 2024

As announced in the Autumn Budget 2024 on 30 October 2024:

- The lower main rate of capital gains tax (CGT) will increase to 18% and the higher main rate will rise to 24% for disposals made on or after 30 October 2024.

Therefore, the following content should be updated as noted in **bold**.

Chapter 1, section B2B, page 1/4:

- Discretionary trusts can use capital gains tax (CGT) annual exemption (maximum of £1,500 in 2024/25), however:
 - gains in excess of this are taxed at **24%**, though for non-property gains realised between **6 April and 29 October 2024**, a rate of **20%** applies;

Chapter 5, section F2, page 5/14:

The personal representatives are liable to CGT at **24%** on any capital gains on disposals made by the estate during the administration period. **This also applies if the asset in question is a residential property that is not the principal private residence of a beneficiary. For non-property gains made between 6 April 2024 and 29 October 2024, the rate of CGT is 20%.**

Chapter 7, section C1B, page 7/18:

- The tax due on trust gains is now **24%** for gains made on or after **30 October 2024** (non-property gains made between **6 April and 29 October** are taxed at **20%**), subject to any available annual exempt amount.

Chapter 7, section C1C, page 7/19:



Example 7.10

Penelope's relevant property trust

In **May 2024**, Penelope transferred a residential property valued at £200,000 (the property did not qualify for private residence relief (PRR)) to a relevant property trust. Her acquisition cost was £80,000. She had already used her CGT annual exemption in that year.

Chapter 7, section C1E, page 7/20:

As discussed earlier, the tax due on trust gains is **24%** (**20%** for non-property gains realised between **6 April and 29 October 2024**).



Example 7.11

Tax calculations for 2024/25

	£
Trust gains arising from November 2024 on the disposal of shares	30,000
Less annual exemption	(1,500)
Taxable gain	28,500
CGT due at 24%	6,840



Example 7.12

Scales Trust

The trustees of the Scales Trust sell one of the trust's investments in **December 2024** and realise a chargeable gain of £10,000. Mr Scales has created two other trusts since 6 June 1978. The exemption is thus reduced to £500, giving a taxable gain of £9,500. The tax at **24%** is **£2,280**.

Chapter 7, section C5, page 7/21:

Disposals made by the trustees

Any disposals made by the trustees during the life of the trust are chargeable in accordance with the usual rules and taxable at the rate of **24% (20% for non-property gains between 6 April and 29 October 2024)**.

[...]

The gains made after 1990, when the trust was set up, escape a CGT liability. However, the trustees are now liable to CGT on the held-over gain when the trust was set up (the value of asset at date of transfer £60,000, less acquisition cost £20,000, gives a chargeable gain of £40,000) taxed at the trust rate of **20%** (the asset was shares), which equals **£8,000**. **Had the gain been realised on or after 30 October 2024, the rate applicable would have been 24% and the tax £9,600.**

Chapter 7, section C7, page 7/22:

- The trustees are liable to CGT on trust gains at **24% (20% for non-property gains realised between 6 April and 29 October 2024)**. If assets are transferred to a beneficiary, this is treated as a disposal at market value by the trustees – if this results in:

Chapter 7, section C9, page 7/23:

Even in cases where the settlor retains an interest in the trust, capital gains are taxed on the trustees at the trust rate of **24% (20% for non-property gains between 6 April and 29 October 2024)**.

Chapter 7, section E, page 7/31:

Type of trust	Income tax	CGT	IHT
Bare trust	The beneficiary is taxable at their own tax rates unless the trust is for an unmarried minor child of the settlor, in which case the parent settlor is liable, subject to the £100 parental settlement rule.	The gift into trust is a disposal – holdover relief is only available on business assets. The beneficiary is taxable at their own rates on disposals by trustees.	The gift into trust is a PET. Assets are treated as if within the beneficiary's estate.
Life interest and interest in possession trust	Trustees are taxed at 8.75% or 20%, depending on the source of income on any income they actually receive. The life tenant is taxed on income as it arises at their own rates; they receive credit for tax paid by trustees and can offset their personal savings allowance and dividend allowance if they have any available.	The gift into trust is a disposal – holdover relief is available on all assets, provided the trust is not settlor-interested. Trustees are taxable on trust disposals at 24% (20% for non-property gains between 6 April and 29 October 2024) after the trust exemption of £1,500 . Holdover relief is available on any assets leaving the trust.	The gift into trust is a CLT and IHT may be payable. A periodic charge may be payable every ten years, up to a maximum rate of 6%. There may be an exit charge when property leaves the trust.

Discretionary trust	Trustees are taxable at 45% or 39.35% where income exceeds the £500 threshold (divided by the number of trusts to a minimum of £100). A 45% tax on the income distributed with an equivalent tax credit for the beneficiary. Personal savings allowance and dividend allowance are not available.	The gift into trust is a disposal – holdover relief is available on any assets. Trustees are taxable on trust disposals at 24% (20% for non-property gains between 6 April and 29 October 2024) after the trust exemption of £1,500 . Holdover relief is available on any assets leaving the trust.	The gift into trust is a CLT and IHT may be payable. A periodic charge may be payable every ten years, up to a maximum rate of 6%. There may be an exit charge when property leaves the trust.
Feature of trust	Income tax	CGT	IHT
If the settlor/spouse has an interest in the trust	The settlor is taxable at their own tax rates, although trustees have to first pay tax at trust rates on the settlor's behalf.	The trustees are taxable on trust disposals at 24% (20% for non-property gains between 6 April and 29 October 2024) after the trust exemption . Holdover relief is not available on transfers into the trust.	This does not alter the IHT treatment of the original gift, but the GWR rules also apply, which means the value of the trust remains within the settlor's estate.
A trust for the benefit of a minor unmarried child	Income paid to the beneficiary is taxable on the settlor at their own tax rates if the income is over £100 gross.	Taxable on the child at their rates for bare trusts only, otherwise taxable on the trustees. Holdover relief is not available on transfers into the trust.	This does not alter the IHT treatment – the gift into trust has the same treatment as any CLT.

Chapter 7, Key points, page 7/32:

Capital gains tax and trusts

- Trustees are liable to CGT at **24% (20% for non-property gains between 6 April and 29 October 2024)** subject to any available annual exemption – **£1,500 for 2024/25**.
- The trust annual exemption is split by the number of trusts created by the same settlor subject to a minimum of one-fifth, i.e. **£300 for 2024/25**.

Chapter 9, section D1, page 9/10:

The standard rates for CGT for individuals are 18% where a person is not a higher-rate taxpayer and **24%** where the person is a higher or additional-rate taxpayer, **though for non-residential property gains realised between 6 April and 29 October 2024, the rates were 10% and 20%**.

The **24% rate** also applies to trustees and personal representatives (**20% for non-property gains between 6 April and 29 October 2024**).

Chapter 7 self-test answers, page vii:

- At **24% (20% for non-property gains between 6 April and 29 October 2024)**.
- At **24% (20% for non-property gains between 6 April and 29 October 2024)**.

Notes

- Any change related to the CGT will be examined from 30 January 2025.
- This update has been incorporated into the digital copies of the study text, available on RevisionMate.