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## INCOME TAX ADJUSTMENTS BETWEEN SETTLORS AND TRUSTEES

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### Who is likely to be affected?

1. Individuals who are taxed on the income of a trust they have set up (a settlor-interested trust).

### General description of the measure

2. Settlers (people who set up a trust) may receive repayments of tax on trust income if they are liable to income tax at a lower rate than the trustees. This measure will require settlers to pay any such repayments of tax they receive to the trustees. The result of this will be that these payments to trustees will be disregarded for inheritance tax purposes.
3. The Government will legislate for this measure in a Finance Bill to be introduced as soon as possible after the summer recess.

### Operative date

4. The measure will have effect for repayments relating to trust income that arises on or after 6 April 2010.

### Current law and proposed revisions

5. Section 646 of the Income Tax (Trading and Other Income) Act 2005 requires settlers to pay over to trustees repayments of tax in respect of an “allowance or relief” in relation to trust income.
6. This will be extended to all repayments of tax received by settlers in relation to trust income.

### Further advice

7. This measure was previously announced at Budget 2010 and a version of this note was published as BN30. This note supersedes that version.

8. If you have any questions about this change, please contact Alan McGuinness on 020 7147 2766 (email: [alan.mcguinness@hmrc.gsi.gov.uk](mailto:alan.mcguinness@hmrc.gsi.gov.uk)) Information about Budget measures is available on the HM Revenue & Customs website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk)