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Trusts Statistics

Number of trusts making self
assessment returns and breakdown
by size



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Introduction

What is a trust?

A trust is an obligation binding a person (an individual or a company) called a 'trustee' to deal with property in a particular way, for the benefit of one or more beneficiaries. These statistics cover normal family type trusts, which may be set up during a person's lifetime or through a will or the operation of the intestacy laws¹, and the main types are described below. They do not cover specialist vehicles, such as Venture Capital Trusts or Authorised Unit Trusts, which are treated as companies.

Interest in Possession Trusts

This type of trust exists when a beneficiary, known in this case as an 'income beneficiary', has a current legal right to the income from the trust as it arises. The trustees must pass all of the income received, less any trustees' expenses and tax, to the beneficiary.

The income beneficiary need not, and often does not, have any rights over the capital of such a trust. Normally, the capital will pass to a different beneficiary, or beneficiaries, at a specific time in the future or after a specific future event.

Depending on the terms of the trust, the trustees might have the power to pay capital to a beneficiary even though that beneficiary only has a right to receive income.

Discretionary Trusts

Trustees of a discretionary trust generally have 'discretion' about how to use the income of the trust. They may be required to use any income for the benefit of particular beneficiaries, but the trustees can decide how much is paid, to which beneficiary or class of beneficiaries payments are made, how often the payments are made and what, if any, conditions to impose on the recipients.

Accumulation and Maintenance Trusts

An accumulation and maintenance trust is one in which the beneficiaries become entitled to the property or at least the income when they reach a certain age (no more than 25). The trustees can use the income for the maintenance of the beneficiary before the date on which that beneficiary becomes entitled to the property or to an interest in possession in that property.

Trustees of an accumulation and maintenance trust are given power to 'accumulate' the income of the trust until a certain date, at which time the beneficiary, or beneficiaries, are entitled to the property of the trust or to the income arising from that property.

¹ One who, having lawful power to make a will, has made none, or one which is defective in form. In that case, he is said to die intestate, and his estate descends to his heir at law.

Mixed Trusts

In addition to the trust types listed above mixed trusts are a mixture of more than one type of trust, for example an interest in possession trust and a discretionary trust.

Income Tax

The income tax treatment of trusts broadly falls into two categories:

1. Taxation of Interest in Possession Trusts

Trustees are normally chargeable at the standard rates on the income they receive. The higher and additional rates that apply to individuals do not apply to trustees. So rent, trade and savings income are chargeable at the basic rate (currently 20%) and dividend income is chargeable at the dividend ordinary rate (currently 10%). Savings income usually has tax deducted at source by the bank or building society, and this is taken into account in taxing the trustees. Similarly, any tax credit attached to the net dividend meets the trustees' liability.

The beneficiaries are entitled to the income from the trust after deduction of trustee charges and trust management expenses.

Beneficiaries are taxed on this in the normal way, and are entitled to credit for tax paid by the trustees or deducted at source. If beneficiaries are starting rate taxpayers or non-taxpayers they will be able to reclaim some or all of the tax paid, though tax credits on dividends cannot be paid. If they are liable at higher rates, further tax will be due.

2. Taxation of other Trusts

The trustees are chargeable at the special trust rates. Dividend type income is chargeable at the dividend trust rate, currently 42.5% (32.5% for years prior to 2010-11), and other income is chargeable at the trust rate of 50% (40% for years prior to 2010-11). However the first £1,000 of trust income is chargeable at the standard rates (10% on dividend type income and 20% on other income).

These statistics make no distinction between discretionary and accumulation and maintenance trusts as both types are subject to the same tax treatment.

Capital Gains Tax

Trustees are taxable on gains at the rate of 28% - this tax treatment is the same for both interest in possession and other trusts.

What information does this publication cover?

What do the tables contain?

The statistics on the income and capital gains of trusts are drawn from data captured from all those trusts which make a Self Assessment return.

Trusts which hold only non-income producing assets will not in general be part of the Self Assessment regime and therefore will not be covered by the tables. The statistics are derived from data captured on December 31st 2010 and should cover the majority of returns expected for 2008-09 and previous years. 2008-09 is not as complete as other years as it does include late payments.

Tables 13.1 and 13.2 identify interest in possession and other trusts on account of the different tax treatments that are applicable to them both. Table 13.1 does not provide a detailed analysis of the estates, charities and small numbers of non-standard trust types which make Self Assessment returns; although the table does indicate the total number of returns from this group.

Table 13.1 provides statistics on the numbers of trusts making Self Assessment returns in each year since 2003-04. It also provides statistics on the total income and capital gains declared by these trusts, broken down by the type of income and the type of trust.

Table 13.2 shows a breakdown by size of the numbers of trusts making Self Assessment returns (where size is defined as total income excluding capital gains). It also shows the distribution of total income between trusts of different sizes.

Rounding

The amounts shown in the tables have been independently rounded to the nearest £5 million and numbers have been rounded to the nearest 500 (with the exception of the category of "less than £0" in table 13.2 which is rounded to the nearest 100).

User Engagement

We are committed to providing impartial quality statistics that meet our users' needs. We encourage our users to engage with us so we can improve our official statistics and identify gaps in the statistics that we produce. If you would like to comment on these statistics or have any enquiries on the statistics please contact the statistician named at the front of this document.

Alternatively we would welcome any views you have using the link to the feedback form below. We will undertake to review user comments on a quarterly basis and use this information to influence the development of our official statistics. We will summarise and publish user comments at regular intervals.

<http://www.hmrc.gov.uk/stats/user-engagement.htm>

Commentary

Latest figures available, 2008-09

Table 13.1

The latest figures in Tables 13.1 reflect the position for the 2008-09 tax year. The statistics are derived from data captured on December 31st 2010 and should cover the vast majority of returns expected for 2008-09 and previous years.

The figures for 2008-09 show that 190,000 trusts and estates made a full Self Assessment return. Of these 107,500 were trusts paying tax at the special trust rate, 73,500 were interest in possession trusts and 9,000 were other types of trusts.

While interest in possession trusts accounted for £1,040 million of income (with £815 million chargeable gains) of which £345 million was dividend income, £235 million interest income, £315 million property income and £145 million from other revenue sources.

Trusts paying at the special rate generated £1,510m of income with total chargeable gains at £635 million. This breaks into £730 million dividend income, £360 million interest income, £245 million property income and £170 million from other revenue streams.

Table 13.1 also shows that for 2008-09 we received £725 million in income tax from trusts, of which £180 million was from, interest in possession trusts and £515 million was from trusts paying tax at the special rate.

Capital gains tax brought in £610 million in 2008-09.

Table 13.2

Table 13.2 shows how many trusts fall between the various income bands and the total income of the trusts in each band. As with Table 13.1 the latest datapoint reflects the position for the 2008-09 tax year.

Figure 1 shows the number of interest in possession trusts within each income band (for trusts with positive income) in 2008-09, while Figure 2 show the total income in each of the different income bands for these trusts.

Figure 1: Number of interest in possession trusts in each income band 2008-09

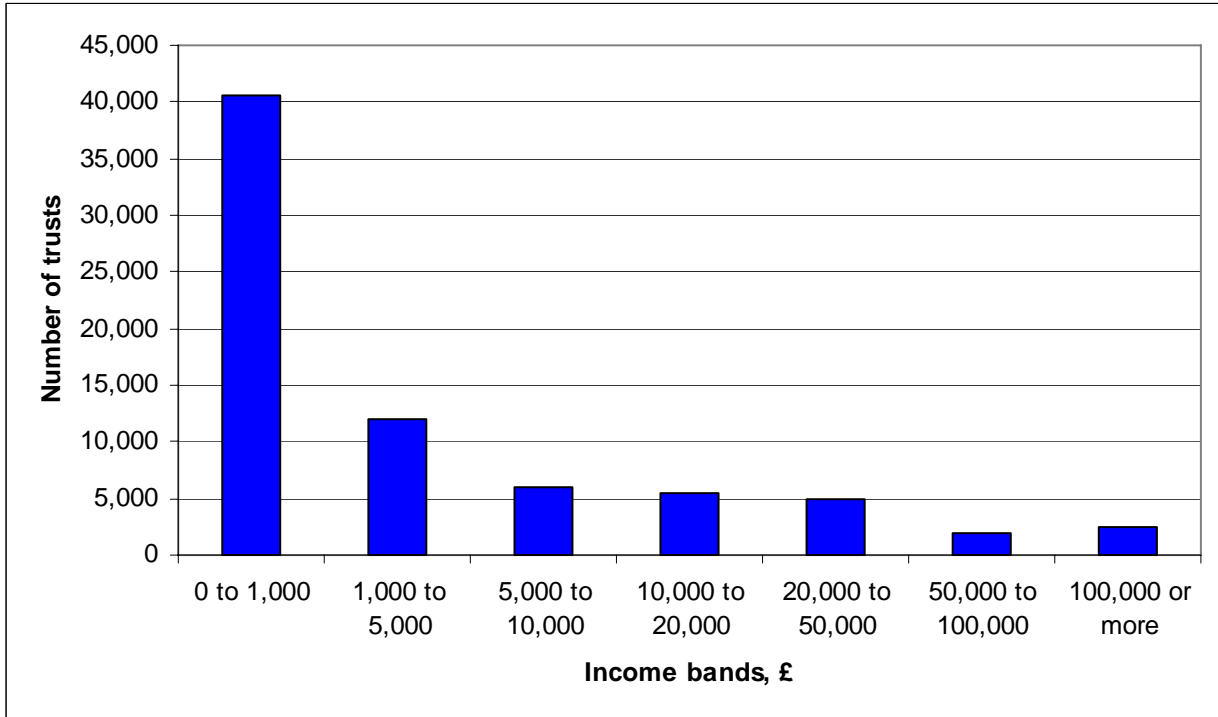


Figure 2: Total income in each income band for interest in possession trusts 2008-09



Table 13.2 also contains similar analysis with regards to trusts paying at the special rate, as shown in Figures 3 and 4:

Figure 3: Number of trusts paying tax at the special rate in each income band 2008-09

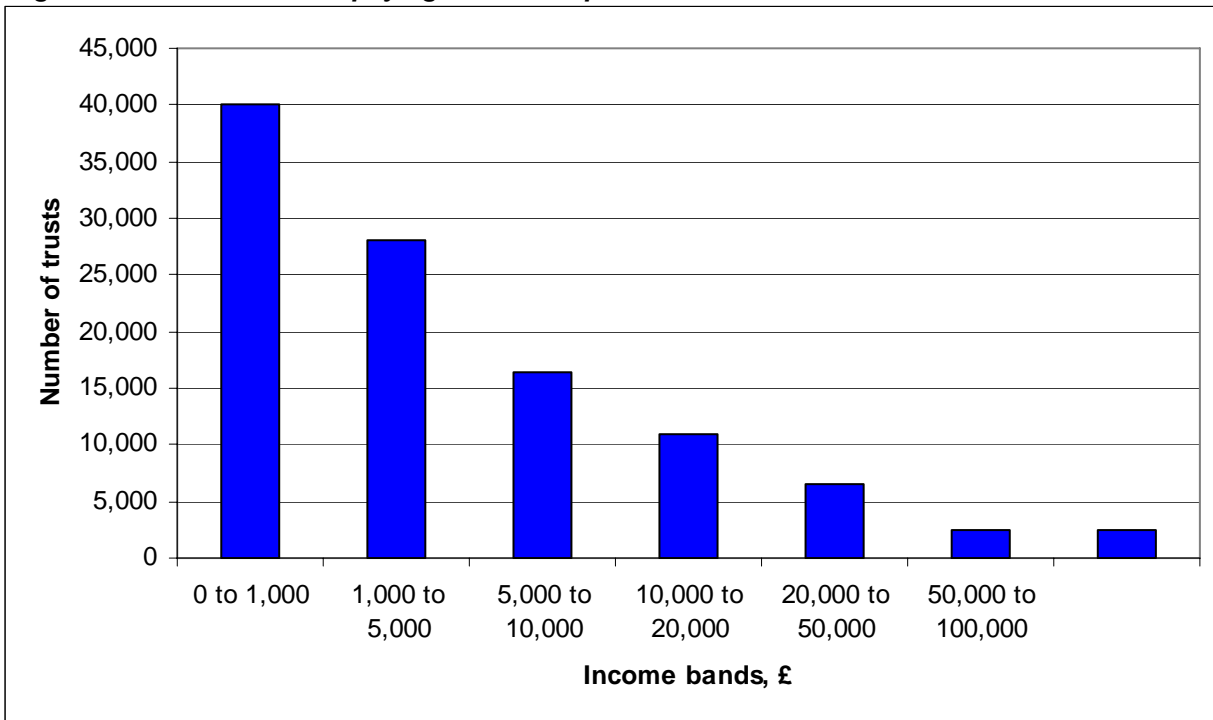
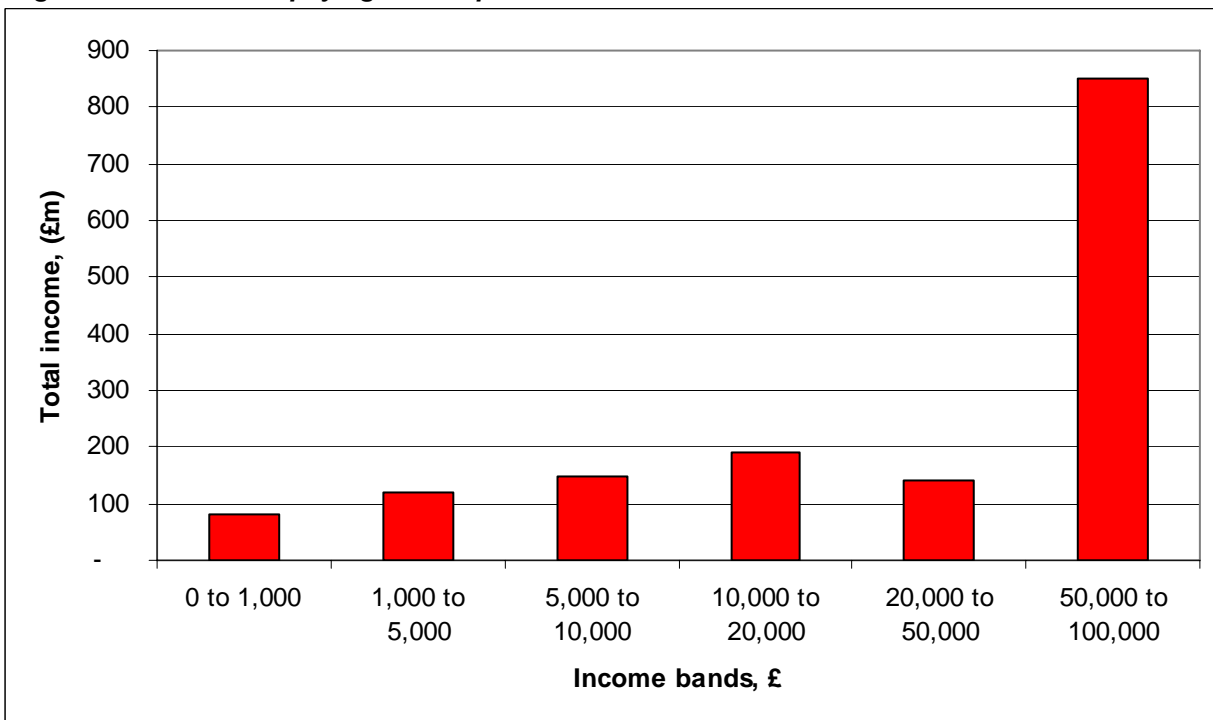


Figure 4: Total for tax paying at the special for each income band 2008-09



Revision to earlier years

There have been some revisions to the figures previously published. These changes are due to availability of further data. Self assessment returns by their very nature are staggered as some individuals will not complete their forms on time and as a result payments collected in a certain year can sometimes relate to a previous tax year. In tables 13.1 and 13.2 there have been small revisions in the years 2004-05 to 2006-07, with more sizeable revisions in 2007-08. Table 1 shows a summary of the revisions made to Table 13.1. It should be noted that the 2007-08 difference is due to more additional returns coming in since last publication than for earlier years.

Table 1: Summary of the revisions made to Table 13.1

		2004-05	2005-06	2006-07	2007-08
Year on Year increase	Total number of trust	1,000	1,000	1,000	4,000
Percentage increase		0.5%	0.5%	0.5%	2.1%
Year on Year increase	Total income	£5 million	0	£10 million	£155 million
Percentage increase		0.2%	0%	0.4%	5.8%
Year on Year increase	Total tax	£5 million	£5 million	£10 million	£60 million
Percentage increase		0.3%	0.3%	0.5%	4.1%

The revisions in the headline total figures in Table 13.2 will be the same as the revisions made in Table 13.1.

It must also be noted that income from property generated by Income in possession trusts has experienced a large revision in 2007-08. The current income figure shown in table 13.1 is £320 million which is an increase of £95 million from the previous publication. This large difference is due to the fact that the previous publication did not cover the whole 2007-08 tax year (due to problems with the data upload last year, figures published in January 2010 represented the position in October 2009 rather than January 2010).

In the current publication two additional lines have been included in Table 13.2. These extra lines show the number of trusts that have generated losses in the time period covered by the data and the magnitude of these losses. The reason that these negative amounts occur is due to instances where trustees (and/or personal representatives) have claimed relief for trading losses which exceed their other income. These additional rows mean that values in bands of less than £1,000 have changed slightly in all years.

A further change in this year's publication is that the order of interest in possession trusts and trusts paying tax at the special rate has been reversed in tables 13.1 and 13.2.

Finally, the format and content of the documentation accompanying the tables has been changed this year. The changes are aimed at providing a clear overview of trusts (and their tax treatment) and identifying key trends in the data.

Overall trends in time series

Figure 5: Total number of trusts

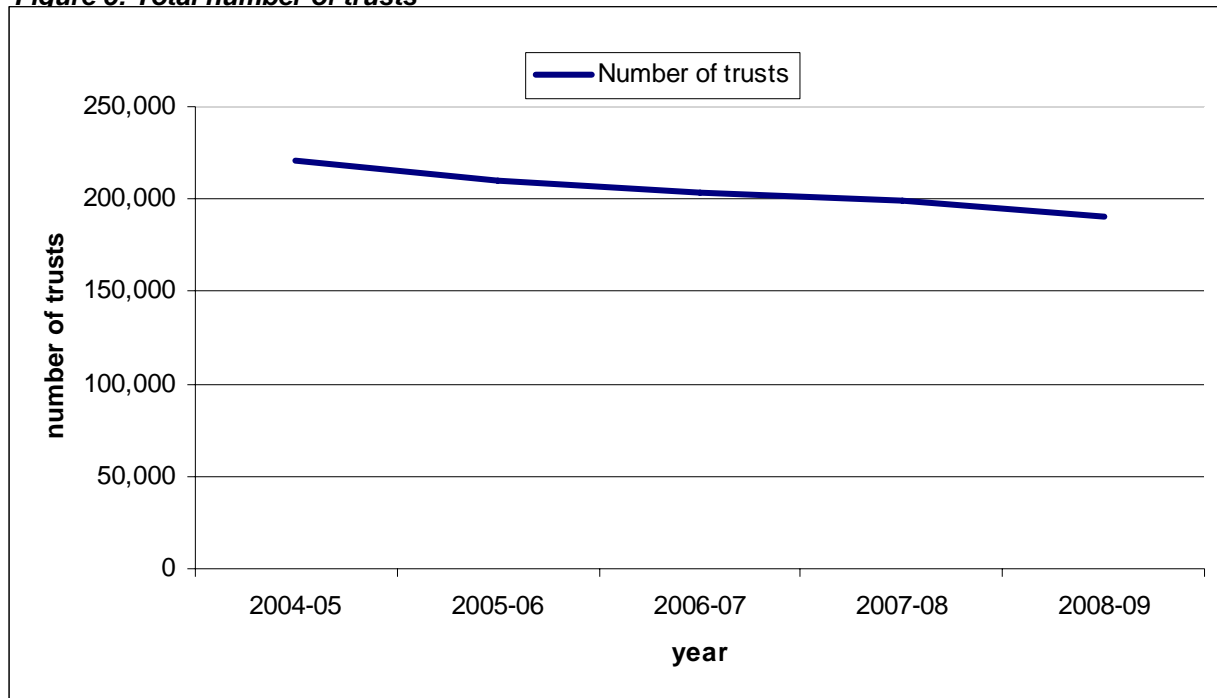
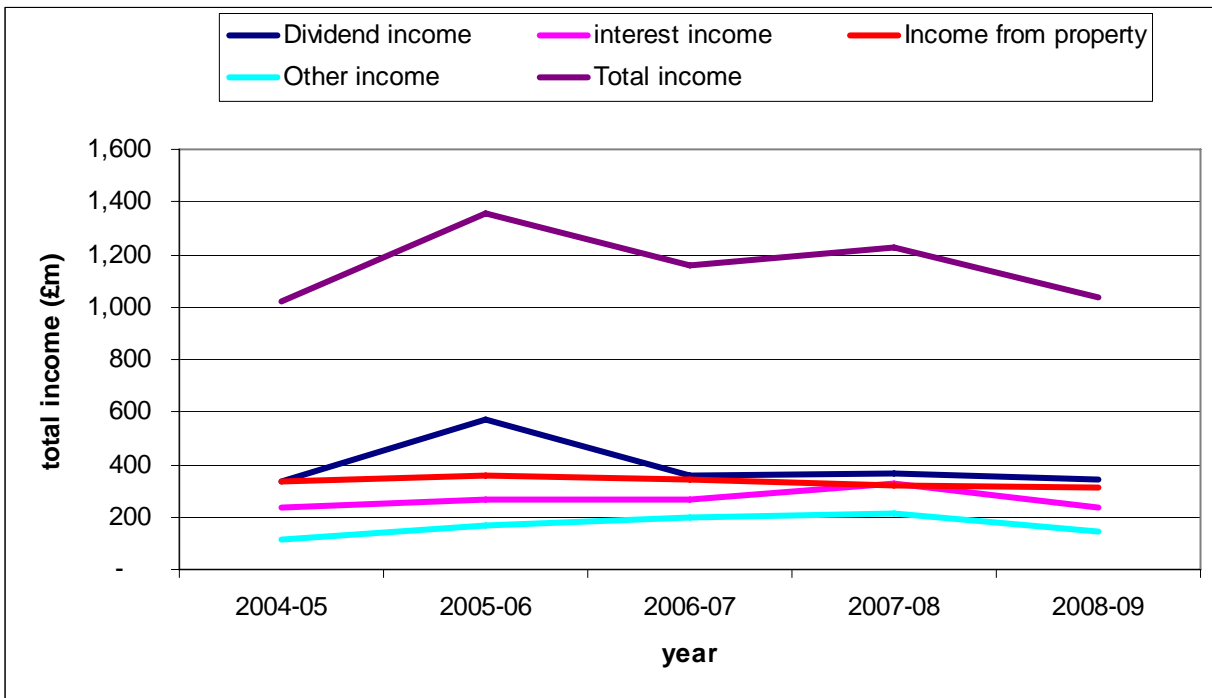


Figure 5 shows that the total number of trusts has been slowly declining since 2004-05. In 2004-05 there were over 220,000 trusts in the UK and a steady fall has resulted in only 190,000 trusts in 2008-09, which represents a 14% decline. There are a few reasons why this trend has occurred. Firstly in 2004 the special tax rate for trusts was increased from 34% to 40% and this may have made trusts less attractive. Secondly the standard rate band was introduced from 6 April 2005. Those trusts with income consistently below £500 no longer needed to complete a Self Assessment tax return every year. This policy measure automatically excluded a large number of trusts from the data. Thirdly, the number of interest in possession trusts have seen a decline due to Inheritance tax policy which applied an exit charge to interest in possession trusts (thus making them less attractive).

Figure 6: Income for interest in possession trusts



The above graph shows that total income for interest in possession trusts has been following a downward trend since 2005-06. The initial decrease between 2005-06 and 2006-07 can be attributed to a similar decrease in dividend income. Another sharp decrease in total income occurred in 2008-09 and this is down to the combined effect of a decrease in interest income and income from other sources. Interest income is the biggest driver of this decline and this is mainly down to the fall interest rates during the time period, as the Bank of England base rate fell from 5.5% in December 2007 to 0.5% in March 2009

Figure 7: Income for trusts paying at the special rate

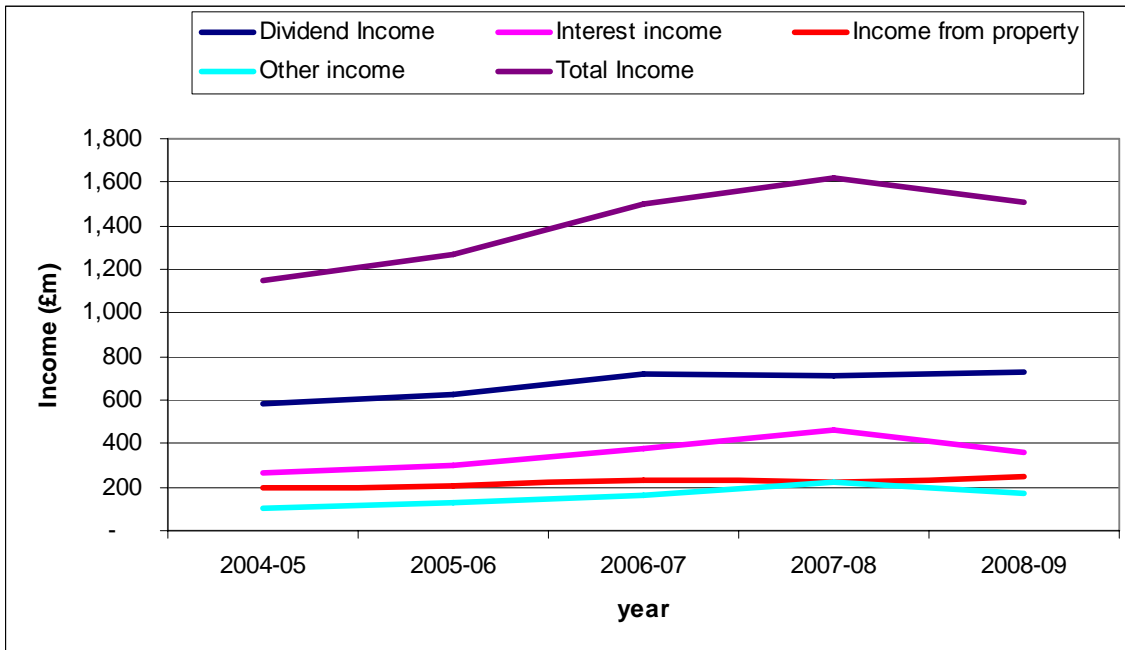


Figure 7 shows the level of income for trusts paying at the special rate. Total income consistently rose up until 2007-08 when total income peaked at £1,620 million. Total income has declined to £1,510 million in 2008-09. This decline in total income can be attributed to a decline in interest income and other income. Interest income is the biggest driver of this decline (it experienced a £100 million decline) for the same reason given in Figure 6 (it is necessary to bear in mind that 2008-09 returns yet to be received may alter these trends).

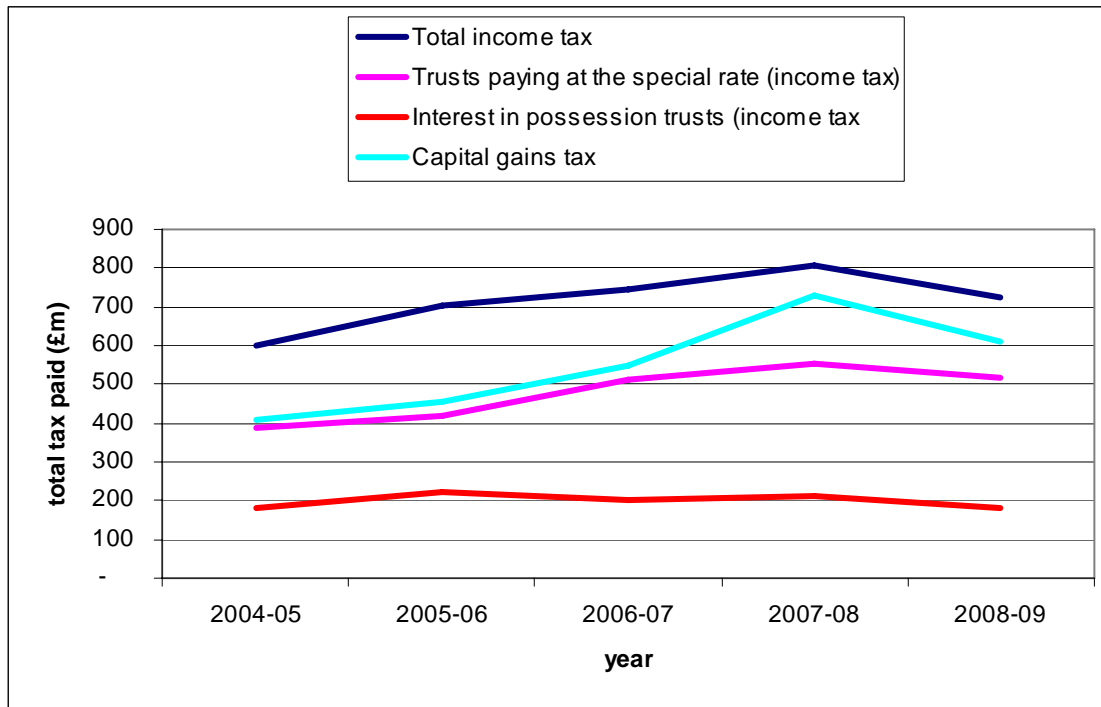
Figure 8: Tax received

Figure 8 shows the change in total income tax (separated into two tax streams) and capital gains tax received from trusts in the years covered by the tables. Income tax, tax at the special rate and capital gains tax all follow a similar path. The tax streams grew quickly between 2004-05 and 2007-08 and then suffered a significant reduction in 2008-09. However tax from interest in possession trusts has remained relatively stable over the years in the sample yet still suffered a reduction in 2008-09. The general rise in tax receipts up until 2007-08 can be attributed to the growth of trust income (in the same time period) as well as the rise in the special tax rate from 34% to 40% which came into action in 2004. The dip in 2008-09 can be attributed to the reduction in trust income due to low interest rates and the recession (it is necessary to bear in mind that 2008-09 returns yet to be received may alter these trends).

Figure 9: Number of interest in possession trusts in each income band

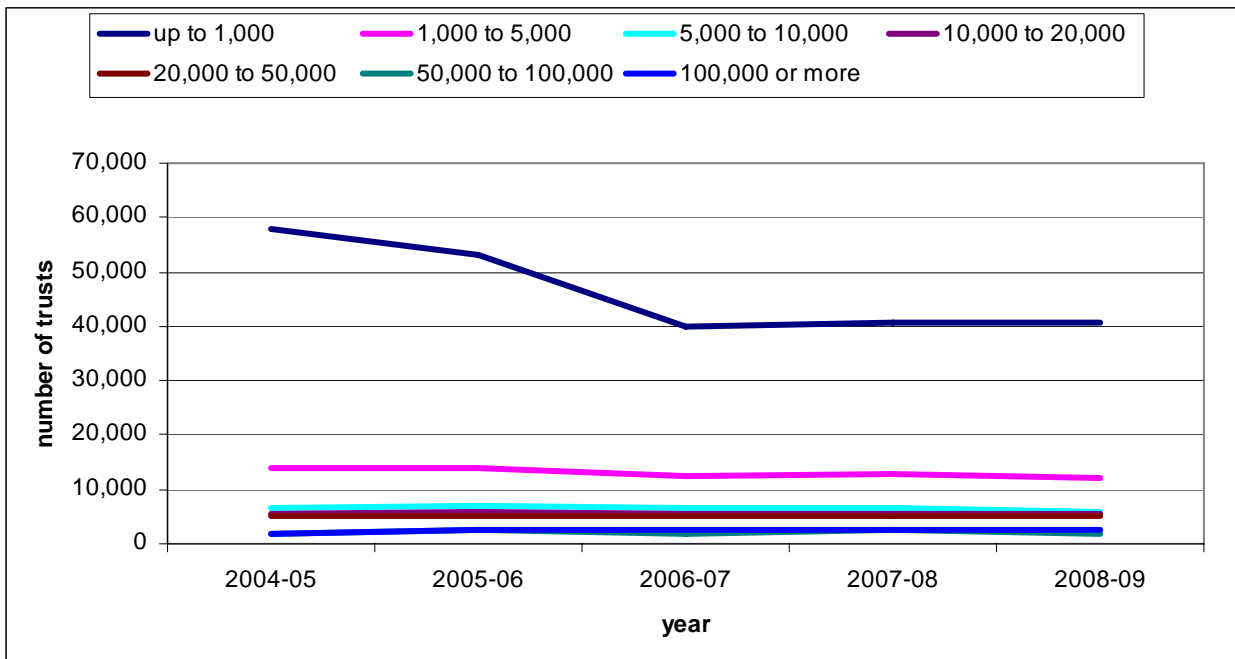


Figure 9 shows that the number of interest in possession trusts in the different income bands follow a similar pattern to Figure 9. Again all income bands (bar trusts with income <£1,000 pounds) have remained very stable in number throughout the period covered by the data. While on the other hand trusts with income smaller than £1,000 saw a dramatic decline in 2006-07 and remained at a constant value since. This is partly due to the fact that the standard rate band of £500 was introduced from 6 April 2005. Those trusts with income consistently below this level no longer need to complete a Self Assessment tax return every year. Another reason behind this dip can be found in the Inheritance Tax measures brought in at Budget 2006. These measures meant that Interest in possession trusts would be liable to exit charges, which has resulted in making interest in possession trusts a less attractive proposition. It must be noted that these are Inheritance Tax measures, so will only have an indirect effect on trusts.

Figure 10: Trusts paying at the special trusts rate in each income band

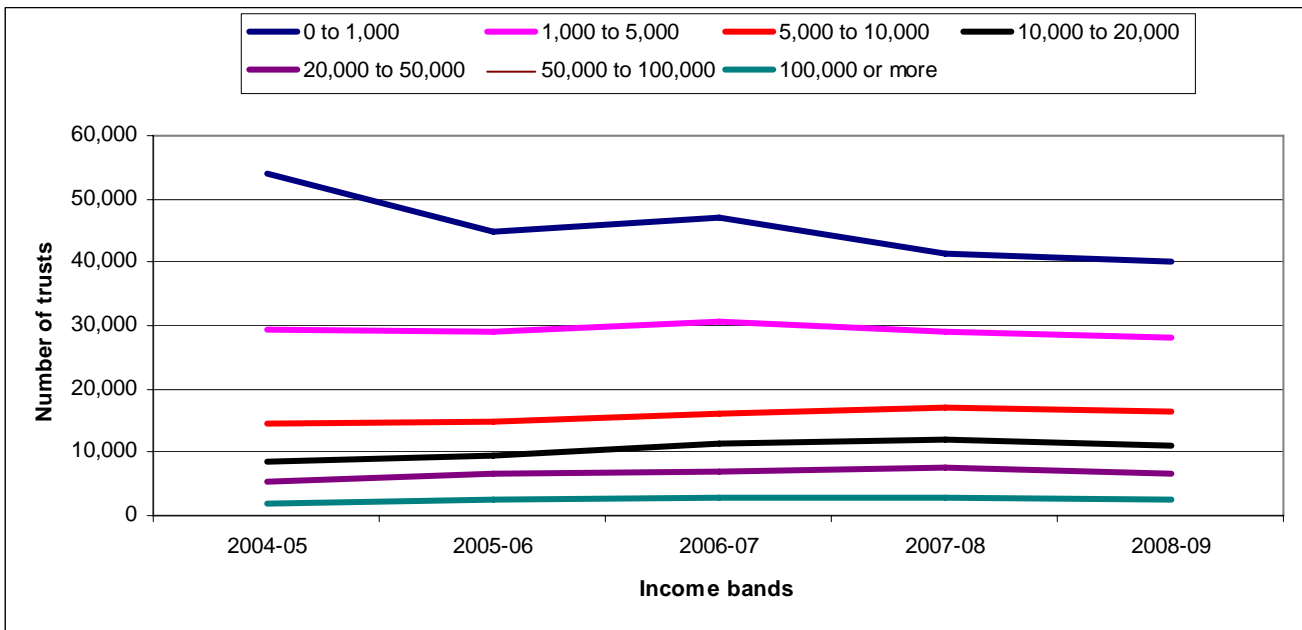


Figure 10 shows the numbers of trusts paying tax at the special rate by income band. It is clear that in the time period that the data covers the number of trusts in all income bands (except the < £1,000 band) remain relatively stable. On the other hand the number of trusts with income under £1,000 has experienced a steady decline since 2006-07. This is partly due to the fact that the standard rate band of £500 was introduced from 6 April 2005. Those trusts with income consistently below this level no longer need to complete a Self Assessment tax return every year.

13.1

Trusts

Trusts and estates which make a full Self Assessment return

Numbers, income and tax 2004-05 to 2008-09 ^{1 2 3}

Numbers: actual; Amounts: £ million

Numbers ³	2004-05	2005-06	2006-07	2007-08	2008-09
Total, of which:	221,000	210,000	203,000	199,000	190,000
Interest in possession trusts	93,500	90,000	74,000	76,000	73,500
Trusts paying tax at the rate applicable to trusts ⁴	116,500	110,000	118,500	113,000	107,500
Others (estates, charities, etc)	11,000	9,500	11,000	10,000	9,000
Income (£ million) ³	2004-05	2005-06	2006-07	2007-08	2008-09
Interest in possession trusts					
Dividend income	335	570	355	365	345
Interest income	240	265	265	330	235
Income from property	335	355	345	320	315
Other income	115	170	195	215	145
Total income	1,020	1,360	1,160	1,230	1,040
Chargeable gains	380	530	640	735	815
Trusts paying tax at the rate applicable to trusts ⁴					
Dividend income	580	625	720	715	730
Interest income	270	300	380	460	360
Income from property	200	210	230	225	245
Other income	100	125	165	220	170
Total income	1,150	1,265	1,500	1,620	1,510
Chargeable gains	570	515	610	955	635
Tax (£ million) ⁵	2004-05	2005-06	2006-07	2007-08	2008-09
Income tax	600	705	745	805	725
of which:					
Interest in possession trusts	180	220	200	210	180
Trusts paying tax at the rate applicable to trusts ¹	390	420	510	555	515
Capital gains tax	410	455	550	730	610

Notes on the table

1. Because some returns are filed late, statistics for the most recent year will be marginally less complete than for earlier years.
2. This table includes all trusts and estates making a Self Assessment return. Trusts which do not make a Self Assessment return are not captured in the table.
3. Numbers are given to the nearest 500 and amounts are given to the nearest £5 million, which may cause small discrepancies in totals.
4. Trusts were taxed at 34% until 5 April 2004. From 6 April 2004 to 5 April 2010 the applicable rate is 40%. From 6 April 2010 the rate is 50%.
5. Total income tax and capital gains tax revenues include tax paid by estates and non-standard trusts. Statistics relate to tax accrued in the respective year.



13.2

Trusts

Trusts and Estates which make a full Self Assessment return

Numbers and Income 2004-05 to 2008-09 ^{1 2 3}

Numbers: actual ³; Amounts: £ million ³

Band of total income (£)	2004-05	2005-06 ⁴	2006-07 ⁴	2007-08	2008-09	2004-05	2005-06	2006-07	2007-08	2008-09
Interest in possession trusts										
less than 0	100	100	100	100	100	-5	-5	-10	-15	-10
0 to 1,000	58,000	53,000	40,000	40,500	40,500	5	5	5	5	5
1,000 to 5,000	14,000	14,000	12,500	13,000	12,000	35	35	30	35	30
5,000 to 10,000	6,500	7,000	6,500	6,500	6,000	45	45	45	45	45
10,000 to 20,000	5,500	6,000	5,500	5,500	5,500	70	75	75	75	75
20,000 to 50,000	5,000	5,000	5,000	5,000	5,000	130	140	130	140	135
50,000 to 100,000	2,000	2,500	2,000	2,500	2,000	110	125	115	125	120
100,000 or more	2,000	2,500	2,500	2,500	2,500	630	935	765	820	640
Total	93,500	90,000	74,000	76,000	73,500	1,020	1,360	1,160	1,230	1,040
Trusts paying tax at the rate applicable to trusts										
less than 0	200	200	200	200	200	-5	-5	-5	... ⁵	... ⁵
0 to 1,000	54,000	45,000	47,000	41,500	40,000	10	10	10	... ⁵	... ⁵
1,000 to 5,000	29,500	29,000	30,500	29,000	28,000	80	80	85	80	80
5,000 to 10,000	14,500	15,000	16,000	17,000	16,500	105	110	120	125	120
10,000 to 20,000	8,500	9,500	11,500	12,000	11,000	115	125	145	160	150
20,000 to 50,000	5,500	6,500	7,000	7,500	6,500	155	170	195	205	190
50,000 to 100,000	2,000	2,500	3,000	3,000	2,500	115	120	150	160	140
100,000 or more	2,000	2,500	3,000	3,000	2,500	580	655	800	895	850
Total	116,500	110,000	118,500	113,000	107,500	1,150	1,265	1,500	1,620	1,510

Notes on the Table

1. Because some returns are filed late, statistics for the most recent year will be marginally less complete than for earlier years.
2. This table includes all trusts and estates making a Self Assessment return. Trusts which do not make a Self Assessment return are not captured in the table.
3. Numbers are given to nearest 500 (except for "less than 0" where values are rounded to nearest 100), amounts are given to the nearest £5 million, may cause small discrepancies in totals.
4. The standard rate band was introduced from 6 April 2005. Those trusts with income consistently below this level no longer need to complete a Self Assessment tax return every year. The size of the band was £500 for 2005/06 and £1,000 for 2006/07.
5. Values have been suppressed to avoid the possibility of disclosure.

