MODERNISING THE TAX SYSTEM FOR TRUSTS

A CONSULTATION DOCUMENT

August 2004

Inland Revenue

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The consultation period began on 13 August 2004 and will run until **5 November 2004**. Please ensure that your response reaches us by that date. If you would like further copies of this consultation document it can be found at:

http://www.inlandrevenue.gov.uk/trusts/trust-modernisation.htm

or you can contact IR Trusts at the address given below.

Please send consultation responses, by 5 November 2004, to:

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When responding please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of a larger organisation please make it clear who the organisation represents and, where applicable, how the views of members were assembled.

A list of those consulted is attached at page 34. If you have any suggestions of others who may wish to be involved in this process please contact us.

The information you send us may need to be passed to colleagues within the Inland Revenue and published in a summary of responses received in response to this consultation. We will assume that you are content for us to do this, and that if you are replying by e-mail, your consent overrides any confidentiality disclaimer that is generated by your organisation's IT system, unless you specifically include a request to the contrary in the main text of your submission to us.

Please ensure that if you want your name or response to be kept confidential, you state this clearly in your response. Confidential responses will be included in any statistical summary of numbers of comments received and views expressed.

INTRODUCTION

In 2003 the Government asked the Inland Revenue to consult trust professionals, representative bodies and other interested parties on ideas and options for modernising the income tax and capital gains tax (CGT) system for UK resident trusts. The Inland Revenue issued four discussion papers in December 2003 and followed them up with a series of meetings around the UK. The links below will take you to the original papers:

http://www.inlandrevenue.gov.uk/pbr2003/disdoc_overview_trusts.pdf
http://www.inlandrevenue.gov.uk/pbr2003/disdoc_definitions_trusts.pdf
http://www.inlandrevenue.gov.uk/pbr2003/disdoc_income_trusts.pdf
http://www.inlandrevenue.gov.uk/pbr2003/disdoc_capital_trusts.pdf

The ideas set out in the papers were not firm proposals but were intended to prompt debate. However the response was such that the Government has decided to take certain key measures forward. At the 2004 Budget, it was announced that, with effect from April 2005, there would be:

- a new tax regime for trusts for the most vulnerable (backdated to 6 April 2004),
- a £500 basic rate band applying to the income of all trusts otherwise chargeable at the rate applicable to trusts (RAT)[1], and
- harmonised trust definitions and tests for income tax and CGT purposes.

This consultation document provides more details on these proposals, suggests ways of taking forward certain other ideas from the original discussion papers, and invites respondents' views. It also examines some new ideas which were put forward either at the discussion meetings in January and February 2004 or in the written responses to the original papers. The final section of this document puts the proposals together to set out how the proposed new tax system for trusts would work.

When considering the ideas put forward in this document, it is important to bear in mind what the Government wants a modern tax regime for trusts to achieve. The Government recognises the importance of the role trusts can play in society. As far as possible it wants a tax system for trusts that does not provide artificial incentives to set up a trust but, equally, avoids artificial obstacles to using trusts where they would bring significant non-tax benefits.

The Government does not want a system that enables people to use trusts to avoid tax but, equally, as far as possible it does not want the tax system to penalise

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[1] References to the rate applicable to trusts (RAT) in this paper refer collectively to the rate applicable to trusts and the Schedule F trust rate.

beneficiaries where a trust is imposed upon them by statute, such as the laws of intestacy. Nor does it want to penalise beneficiaries where a trust exists to protect the most vulnerable, such as a disabled person. The Government is not attracted to changing legislation for the sake of change, so would prefer to build on the present system rather than start again from nothing. The Government wants to reduce the compliance burden on small trusts and believes that any new measures should:

- be fair,
- support the competitiveness of the UK economy, and
- be clear and easy to operate.

The original discussion papers set out more detailed guiding principles for the modernised tax system for trusts. These were that:

- the tax system should be as simple and easy to understand as possible,
- complying with tax obligations should be straightforward,
- where a beneficiary receives income or benefits from a trust they should where possible be taxed as if they had received them direct,
- where a settlor retains an "interest" in a trust they should be treated as if they still owned the assets,
- where the income or assets cannot readily be identified with settlors or beneficiaries, tax should be levied on the trustees,
- trustees with low income and no gains should not have to complete Self Assessment (SA) tax returns every year,
- trusts set up to protect the vulnerable should receive special treatment, and
- anti-avoidance legislation is appropriate for those who use trusts to avoid tax.

The ideas in this document are intended to deliver a modernised tax system consistent with these principles. The Government would welcome comments on the general shape of the new system, as well as on the details of the particular proposals.

1. TRUSTS FOR THE MOST VULNERABLE

1.1 At the 2004 Budget it was announced that there will be a new tax regime for trusts for the most vulnerable. Instead of being taxable at the RAT the trustees will be taxed on the basis of the vulnerable beneficiary's circumstances. This should reduce tax bills for the majority of these trusts.

OUTLINE OF NEW REGIME

Election system

1.2 The proposal is that trustees of trusts established for the most vulnerable should be able to elect to be taxed on the basis of the vulnerable beneficiary's individual circumstances, for both income tax and CGT. This election would be available to two categories of trusts: those set up for the benefit of individuals who have a disability, and those set up for minor children on the death of a parent.

1.3 The election would be made jointly by the trustees and the beneficiary and would be irrevocable. A compelling argument in favour of irrevocability, and one made by respondents to the initial discussion papers, is that vulnerability is not something you can pick and choose. The ability to opt in and out of this regime would not sit well with vulnerability being a lasting state or condition. For a minor child who has lost a parent the vulnerability is due both to the individual's age and the loss of parental support. For such vulnerable children the proposal is that the benefits of this regime should be available up to the date the child reaches the age of eighteen.

1.4 In those cases where the beneficiary is unable to elect on their own behalf the election will have to be made by their parent, guardian or appropriate legal representative. It is important that the beneficiary or his or her representative is party to the election to ensure that an irrevocable election affecting someone's tax position is not made by a third party. The fact that the system will depend on communication between the trustees and the vulnerable individual is a further pointer to a joint election.

1.5 For trusts for the disabled, the proposal is to use the definition in section 89 of the Inheritance Tax Act 1984. A disabled person will be someone who, when the property was transferred into the trust, was:

"(a) incapable, by reason of mental disorder within the meaning of the Mental Health Act 1983 of administering his property and managing his affairs, or

(b) in receipt of an attendance allowance under section 64 of the Social Security Contributions and Benefits Act 1992 or section 64 of the Social Security Contributions and Benefits (Northern Ireland) Act 1992, or

(c) in receipt of a disability living allowance under section 71 of the Social Security Contributions and Benefits Act 1992 or section 71 of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 by virtue of entitlement to the care component at the highest or middle rate."

We recognise that a beneficiary may qualify under the basic tests but have been moved into care for medical reasons. It is proposed that in such cases the trust will still qualify as a trust for a disabled person.

1.6 Trusts for minors would be able to qualify as trusts for the most vulnerable where the trust was set up either under the rules of intestacy or under the terms of the parent's will. Many respondents have rightly emphasised the importance of encouraging people to make proper provision for their dependants by making a will. Trusts set up under the terms of a parent's will for the benefit of a minor will therefore be within the new regime. However, such trusts will only qualify where the terms of the trust deed give an unconditional entitlement to any assets in the trust at the age of 18.

1.7 The election system would be available for trusts where either there is more than one vulnerable beneficiary or a mixture of vulnerable and non-vulnerable beneficiaries. The key condition in such cases is that the property for each individual who is a vulnerable beneficiary should be ring-fenced during that individual's lifetime from that for any other beneficiary. Without this ring-fencing there is a risk that the benefits of the new regime could be available to non-vulnerable beneficiaries. There will have to be adequate safeguards in place to prevent this.

1.8 Several respondents to the initial discussion papers have suggested that certain trusts established by approved pension schemes should be eligible for treatment as trusts for the most vulnerable. This view was also put forward at the discussion meetings in London, Edinburgh and Belfast. Provided that the trust is set up on the death of a parent and meets the other conditions for trusts for minors or disabled beneficiaries, it is proposed that such trusts should be eligible to elect for treatment as a trust for the most vulnerable.

Tax effects of election

1.9 The income tax and CGT due from the trustees would have to take account of the individual beneficiary's personal circumstances. Making this work in practice may require some new administrative procedures. However to keep things simple it would be better to utilise or modify existing procedures, such as the R40 claims procedure and the current CGT procedures for settlor-interested trusts, rather than introduce new ones. **We would welcome views as to how best this new election can be made to work.**

1.10 One possibility is for the trustees to pay no income tax above that deducted at source and pay no CGT. If the beneficiary was within the SA regime the trust income and gains would need to be included on their own personal SA return. The beneficiary would be able to recover the tax due via his or her SA tax return, showing tax suffered at source on their income in the way that beneficiaries of interest in possession trusts do now.

1.11 If the beneficiary was not within SA the existing R40 procedures would allow any tax deducted at source to be reclaimed where appropriate. This tax repaid would need to be repaid to the trustees. However it is recognised that for a basic rate taxpayer this arrangement would bring them within the SA regime if any income was received gross by the trustees or any gains were realised. That might be unwelcome.

1.12 An alternative might be for the trustees to pay income tax and CGT at the basic / lower rate which would mean that the vulnerable beneficiary would receive income that had been taxed at the correct rate for his or her personal circumstances. Views on these alternatives, and any other proposals for dealing with this issue would be welcomed.

1.13 In order for this system to work, the trustees would probably need to be aware of the vulnerable individual's personal circumstances. **Views on whether the trustees would need a new statutory right to information from the vulnerable beneficiary would be welcomed.**

Interest in possession trusts

1.14 At present, trustees of interest in possession trusts pay income tax at no more than basic rate, but are unable to take into account any personal allowances or reliefs that may be due to the beneficiary. **Comments as to whether aspects of the system set out above for discretionary and accumulation trusts would be attractive to interest in possession trusts for vulnerable beneficiaries would be welcome.**

Time limit for elections

1.15 There would have to be a time limit for the making of the election in order to make the regime workable. It is proposed the time limit should be two years from the end of the tax year in which the trust was either established or for which the trustees and beneficiary decide they wish vulnerable trust status to apply. Making this election will be voluntary and some trustees and beneficiaries might choose not to elect even where they could. For practical purposes it is expected that trustees of newly established vulnerable trusts would notify the Inland Revenue at the same time they informed the Department the trust had been set up.

1.16 For existing trusts the proposed time limit for the election would be 5 April 2006 if the new regime is to be backdated to take effect from 6 April 2004, the date the RAT increased.

2. BASIC RATE BAND

2.1 The new basic rate band for all trusts liable at the RAT was announced at the 2004 Budget and will apply from 6 April 2005. It will apply to the first £500 of income taxable at the RAT. This change will mean that around one-third of all trusts currently liable to tax at the RAT will no longer pay the RAT on any of their income because their total income falls below this threshold.

2.2 Where the trustees have bank or building society interest, the proposal is that the tax deducted from payments of interest would satisfy their tax liability up to the £500 threshold. Similarly, where dividend income has been received, the associated tax credit would meet the trustees' tax liability and they would have no further tax to pay.

2.3 Where the trustees have annual income above £500 it is proposed that the excess would be chargeable at the RAT, but that the basic rate band would still apply to the first £500 slice of income. The band will primarily be of benefit to the smallest trusts, but even so when taken together with the increase in the RAT from 34% to 40% it should reduce tax bills for around one-half of all trusts paying tax at the RAT.

2.4 For those trusts that consistently have income below £500 per annum (around one-third of trusts chargeable at the RAT), it is proposed that a Self Assessment tax return would be issued only periodically as part of the Revenue's duty to monitor compliance with tax obligations. The initial proposal was to issue tax returns every three years but following representations it is now proposed to issue returns only once every five years in normal circumstances. Trustees would still be under an obligation to notify the Inland Revenue where they had a liability to tax, whether on income or chargeable gains.

2.5 It is proposed that the band should apply to trust income chargeable to the RAT after deduction of streamed income (see section 3 of this paper) and allowable Trust Management Expenses (TMEs).

2.6 So a trust where the trustees were liable to tax at the RAT with income of £5000 in a given year could still fall entirely within the basic rate band if the trustees had incurred allowable TMEs of, say, £750 and £4000 of the income had been passed on to one of the beneficiaries within the time limits for income streaming (again, see section 3 of this paper).

2.7 If the same trust had income of £5000, no allowable TMEs, and the income was retained, then the trustees would be liable at no more than the basic rate of tax on their first £500 of income, and then at the RAT on the remaining £4500.

2.8 This change will also benefit flat management trusts, the trusts that hold service charges for blocks of leasehold flats and generally have less than £500 of income a year. There have been calls for a new tax exemption for all such trusts, but the Government believes the basic rate band will prevent the great majority of these small trusts paying tax at the RAT.

3. INCOME STREAMING

3.1 Many trustees pay tax at the RAT on income which is rapidly passed on to beneficiaries. There have been representations that it would be fairer if those beneficiaries were taxed at their own marginal rate of tax, as though they had received the income direct. It has also been suggested that this change would cut down the amount of “churning”, whereby trustees pay tax at the RAT only for beneficiaries to have to reclaim that tax because they are taxable at basic rate or are non-taxpayers.

3.2 The idea put forward in the discussion papers issued in December 2003 was for trustees to be exempted from the RAT where the income they have received is passed rapidly on to a beneficiary.

3.3 Many comments have been received on this proposal and the great majority have agreed that it is a good idea in principle. Respondents have indicated that, where there is only a short interval between income arising to the trustees and being paid to the beneficiary, the tax rate should be closely linked to the beneficiary's personal circumstances.

3.4 It is therefore proposed that income streamed out within the proposed time limits will, in the hands of the trustees, be exempted from the rate applicable to trusts (RAT). Trustees would still pay tax at basic, lower or dividend rate, as appropriate to the nature of that income. Where income was received net of tax (such as bank and building society interest) or with an associated tax credit (such as dividend income) the trustees' tax liability would be fully covered.

3.5 Certain receipts that are capital in trust law are none the less charged to income tax and subject to tax at the RAT, the most common type being stock dividends. The treatment described in the previous paragraph would not be appropriate in such cases, because such sums are in practice allocated to the trust’s capital account by the trustees. The proceeds are then held for the benefit of the trust’s capital beneficiaries, and so are not paid out as income. It is proposed therefore that the income streaming regime should only apply to receipts that are income under trust law.

Time limits

3.6 The initial discussion papers set out a regime where income passed on to beneficiaries in the same tax year it was received by the trustees would be exempted from the RAT. It was stressed in responses to the papers that it would be impractical for trustees to pass on income received close to the year end by 5 April, and the idea of extending the deadline to income passed out shortly after the year end was suggested.

3.7 Many representations have been made to the effect that the suggested extended deadline was too short. It has been pointed out that, for example,

information may not be received from brokers about share dividend receipts for some months after the end of the year. Having listened to these representations, it is now proposed that the exemption should apply to income paid to a beneficiary by 31 December following the end of the tax year in which that income arose to the trustees. This should provide ample time for the trustees to decide how much income is available for distribution to eligible beneficiaries and to meet the Self Assessment deadline of 31 January.

3.8 In order to address the difficulties that this longer deadline might cause beneficiaries who have to meet deadlines imposed either for Self Assessment or for the tax credits system, it is proposed that this income would be treated as the beneficiary's in the year it was paid to him or her. This will mean that in some cases there would be a one-year mismatch between the trustees receiving an exemption from the RAT and the income being taxed as the beneficiary's. There would also be a possibility of a mismatch between the amount of tax that would have been due in the year the income arose and the amount actually due in the year it is received by the beneficiary if tax rates have changed from one year to another.

3.9 The beneficiary would receive a credit for the tax paid by the trustees on that income, so if the beneficiary was a basic rate taxpayer he or she would have no further tax to pay. This would have the real benefit of reducing the number of repayment claims that are made by beneficiaries. If the beneficiary was a higher rate taxpayer, he or she would receive a credit for the tax paid by the trustees but would also have an additional tax liability. In effect, the trust would have been treated as transparent for tax purposes, with both the income and the associated tax having flowed through it to the beneficiary.

3.10 There would be rules to ensure that income will not be exempted from the RAT where it was passed from one trust to another, to ensure that it was not possible to defer, possibly indefinitely, the point at which the charge at the RAT took effect. Similarly there would be rules to ensure that the exemption will not apply where beneficiaries make artificial arrangements to avoid paying tax on the exempted income they receive.

3.11 Trustees would need to notify the Inland Revenue about income that had been streamed out to beneficiaries. For convenience, it is proposed that this should be done through the trustees' SA tax return. If the trustees are not in SA, the deadline for informing the Inland Revenue of the payments would be 31 December, matching the proposed deadline for streaming.

Tracking income through the trust

3.12 It will also be necessary to introduce rules for tracking different types of income through to different classes of beneficiaries. It is arguable that a "last in, first out" rule would be the most appropriate, since under trust law the trustees would normally be expected to pay out of current income before resorting to income that had arisen in earlier years. Also, income that has been held by the trustees for a longer period is more likely to have been accumulated or capitalised.

3.13 However, the fact that a pro rata allocation of different classes of income seems to work well for the purposes of Extra Statutory Concession B18 suggests that this system would be the fairest in practice. It is therefore proposed that the income streamed to a beneficiary would be treated as a mixed payment of a proportionate share of each type of income that has arisen to the trustees in the year in question.

The tax pool

3.14 When trustees make discretionary income payments to beneficiaries they have to ensure that they have paid enough income tax to cover the tax credit that the beneficiaries receive. Trustees therefore need to keep a record of tax payments, known as the 'tax pool'. The tax pool consists of tax paid by the trustees on income they have received, and tax deducted at source, for example by banks or building societies on interest. It does not include non-payable tax credits, such as the tax credit on dividends.

3.15 When the trustees pay income to beneficiaries the tax pool balance is reduced by the total tax credits for the year on that income. If the tax in the tax pool is not enough to cover the total tax credits needed for the payment to beneficiaries the trustees must pay the difference in their Self Assessment tax return for the year under section 687(2)(b) Income and Corporation Taxes Act (ICTA) 1988.

3.16 Tax pools have been criticised as difficult to understand and complicated to operate. Coupled with the generous period being proposed for income streaming, it appears that there is a good case for abolishing the tax pool altogether. This would deliver real simplification benefits for trustees, above all lay trustees, for whom the payments due under section 687 ICTA 1988 are a source of confusion. **Comments on this suggestion would be very welcome.**

3.17 As a result the tax paid on income arising to trustees after 5 April 2005 would no longer enter the tax pool, the balance of which would be frozen at that date. Depending on the transitional rules, sums paid to beneficiaries of trusts after this date could fall into one of four categories:

- streamed income that had been taxed at no more than basic rate in the trustees' hands and which carried the appropriate level of tax credit when received by the beneficiary, or
- an income payment funded out of income arising to the trustees prior to 5 April 2005 where, subject to the transitional provisions, a 40% payable tax credit applies franked by the tax pool, or
- an income payment funded out of non-streamed income received after 5 April 2004 or out of income received before that date where there is no repayable tax credit available, which will be treated as an income payment with a 40% non-payable tax credit attached, or

- a payment from trust capital.

Transitional issues

3.18 For trustees who have built up a large tax pool, possibly over a number of years, it is appreciated that some time would be needed to change to this new system. As the existing tax pool balances would be frozen at 5 April 2005, no more tax credits would enter the pool after that date.

3.19 It is therefore proposed there would be a three year transitional period running to 5 April 2008 during which payments to beneficiaries out of income that had arisen before 6 April 2005 would be capable of being franked by the tax credits in the tax pool, at the RAT. The beneficiary would get credit for the income tax attaching to the income they received, and the balance on the tax pool would be reduced by this amount.

3.20 Payments out of capital to beneficiaries would, as now, carry no tax credit. Payments out of income that arises from 6 April 2005 onwards would be subject to the new streaming regime.

Non-resident aspects

3.21 It is envisaged that the exemption from the RAT described above would be available to non-resident beneficiaries who received income from a UK resident trust.

3.22 There are some concerns about income that is passed to beneficiaries resident in countries which do not have a Double Taxation Agreement with the UK. There is clearly a danger of a loss of tax in such circumstances and consideration is still being given to the best way to address this issue, though combining income streaming with a requirement on trustees to provide information about the recipient and the amount of income being passed to him or her may be one way of addressing this concern.

Gains streaming

3.23 Gains streaming was suggested in the discussion papers issued in December 2003. The point has been forcefully made in responses to the discussion papers that providing a lower tax regime for disposals where the proceeds are passed rapidly out to capital beneficiaries could encourage behaviour contrary to the longer-term interests of trust beneficiaries.

3.24 When that is coupled with the necessary complexity of any regime for streamed gains, it is considered that the drawbacks of gains streaming would outweigh any potential benefits. It is therefore proposed not to proceed with the idea of providing an exemption from the RAT for streamed gains.

4. DEFINITIONS AND TESTS

DEFINITION OF TRUST

4.1 There is a broad consensus that there should be a common definition of "trust" for income tax and CGT purposes, and that the current Inheritance Tax Act definition of a "settlement" is the best starting point for the new common definition. This proposal is therefore being taken forward.

4.2 Most people have also agreed the need to retain the wider anti-avoidance definitions of "settlement" designed to counter particular avoidance schemes and arrangements. It is not proposed to change any of the special definitions of settlement used in anti-avoidance provisions.

4.3 In Section 43 Inheritance Tax Act 1984 a settlement is defined as:

"any disposition or dispositions of property, whether effected by instrument, by parol or by operation of law, or partly in one way and partly in another, whereby the property is for the time being –

held in trust for persons in succession or for any person subject to a contingency, or

(b) held by trustees on trust to accumulate the whole or part of any income of the property or with power to make payments out of that income at the discretion of the trustees or some other person, with or without power to accumulate surplus income, or

(c) charged or burdened (otherwise than for full consideration in money or money's worth paid for his own use or benefit to the person making the disposition) with the payment of any annuity or other periodical payment payable for a life or any other limited or terminable period.

or would be so held or charged or burdened if the disposition or dispositions were regulated by the law of any part of the United Kingdom; or whereby, under the law of any other country, the administration of the property is for the time being governed by provisions equivalent in effect to those which would apply if the property were so held, charged or burdened."

4.4 It is proposed to use this definition as the basis for a common definition of a "trust" for income tax and CGT purposes. The much wider definition of "settlement" in section 660G ICTA 1988 will remain as an anti-avoidance definition, as will the various CGT anti-avoidance definitions.

4.5 It is also proposed to adopt for income tax purposes the CGT concept of treating trustees as a single and continuing body of persons (distinct from the

persons who may from time to time be the trustees). This will improve consistency in the way that tax is collected from trustees.

Bare trusts

4.6 The main proposal is to have a common definition of "trust" for income tax and CGT purposes. It has been pointed out in responses to the initial discussion papers that bare trusts are frequently used in genuine commercial transactions, and that it might cause problems if a new common definition were to bring the trustees of such trusts within the charge to income tax and CGT unintentionally.

4.7 Property held on a bare trust is not within the IHT definition of a settlement, and bare trusts are currently excluded from the CGT definition of trust by virtue of sections 60 and 68 of TCGA 1992. The harmonised test will ensure that, as now, the trustees of genuine bare trusts will not be subject to income tax or CGT, except in those rare circumstances (set out in Tax Bulletin 32) where it is more convenient for both the trustees and beneficiaries for the former to opt into the Self Assessment regime.

SETTLOR-INTEREST TEST

4.8 The settlements legislation in Part XV of ICTA 1988 is income tax anti-avoidance legislation and applies to trusts. It also applies to many situations where there is no trust. For the purposes of this legislation, "settlement" is defined in very broad terms. The Government considers that this legislation needs to be retained in order to counter avoidance activity where income is transferred to people paying tax at a lower rate than the settlor, or who pay no tax at all.

4.9 There is corresponding legislation in various contexts in the Taxation of Chargeable Gains Act (TCGA) 1992. Again, this legislation has to be retained in order to counter avoidance activity.

Income tax test

4.10 The income tax legislation works by saying that all income arising under a settlement is treated for all tax purposes as belonging to the settlor. This means that the settlor is chargeable on all the income arising to the settlement as if it was his or her own income.

4.11 The charge to tax is generally under Case VI of Schedule D, which has given rise to some anomalies. In order to remove these anomalies it is proposed to change the treatment of this income so that it would be chargeable in the settlor's hands as though it had arisen directly to him or her. More details are

provided in paragraph 6.4 below.

4.12 There is an exclusion from the settlements legislation where the income arises from property "in which the settlor has no interest". But a trust where the settlor has retained any entitlement to property or income is caught by the legislation. Trusts are also treated as "caught" where the property or income could in some circumstances benefit the settlor's spouse.

4.13 In addition to this test, any income of a trust which is paid to or for the benefit of the settlor's unmarried minor child is taxed on the settlor as if it had arisen to him or her.

4.14 Where the settlor has established a (UK resident) trust and neither the settlor nor their spouse can benefit from it, and none of the income is paid to or applied for the benefit of the settlor's unmarried child, the trust is taxed according to the normal rules for trusts.

Capital gains tax test

4.15 For CGT purposes, the legislation for UK resident trusts in section 77 TCGA 1992 applies only to trusts and not to the wider class of arrangements set out for income tax in section 660 of ICTA 1988. A settlor who has retained an interest in a trust where the trustees have made a chargeable disposal is treated as having a gain equal to the gain that would have been chargeable on the trustees. The trustees themselves are not chargeable to CGT on the disposal.

4.16 A settlor is regarded as having an interest in the trust if either the trust property or any property derived from it is or may be paid to or applied for the benefit of the settlor or their spouse or if in the tax year either enjoys a benefit deriving from the settled property.

Harmonising the tests

4.17 In the initial discussion papers, it was suggested the tests for income tax and CGT should be brought into line with each other. Those who attended the discussion meetings, and respondents to the papers, agreed that this would be a sensible move in principle. The main benefit was considered to be that it would make it easier for trustees to decide whether a particular transaction is caught by the legislation.

4.18 Harmonising the tests could be done in a variety of ways. A number of options have been considered, including extension of the settlor-interest tests for UK trusts to bring in, for example, trusts set up for the benefit of the settlor's grandchildren. This test is used for the special CGT provisions applying to the trustees of non-resident trusts.

4.19 The proposal is to have one test applying to all UK resident trusts for both income tax and CGT purposes, and to retain the special extended test only for non-resident trusts. The minor children tests used in the income tax legislation would apply for both income tax and CGT, so that both trust

income and gains would be treated as the settlor's in such cases. The trust would cease to be settlor-interested when the child reached the age of eighteen.

4.20 The suggestion that all trusts with a living settlor should be treated as settlor-interested for tax purposes was not welcomed during the initial consultation exercise because where settlors have genuinely put assets beyond their influence and control it may be considered harsh to tax them on those assets. This idea is not being taken forward.

RESIDENCE TEST

4.21 As for the settlor-interest test, the idea of bringing the trustee residence tests[2] for income tax and CGT into line with each other was suggested in the initial discussion papers. Again, it was generally considered that harmonisation would be a sensible move.

4.22 The main benefit would be improved consistency, but a common test should also make it easier for trustees to decide whether they will be treated as UK resident or non-resident for both income tax and CGT.

4.23 Three main options were set out in the discussion papers issued in December 2003: the current income tax test, the current CGT test, or a completely new test based on the place of effective management or control and management. In addition, two more radical options were floated: firstly, treating all trusts with at least one UK resident trustee as UK resident for tax purposes, whatever the status of the settlor, and secondly, treating all trusts with a UK resident settlor as a UK resident trust whatever the residence of the trustees.

4.24 The response to the radical options were that these could be damaging to the UK trust sector. If all trusts using a UK resident trustee were treated as UK resident then many non-resident settlors would simply take their business elsewhere. There would also be practical problems with making all trusts with a UK resident settlor UK resident, particularly if the assets were not situated in the UK and the settlor were to leave the UK some time after settling the assets. Such a test would also catch temporarily UK resident but non-UK domiciled settlors. Neither of these options is being pursued.

Income tax test

4.25 The current income tax test is based on the residence of the trustees. If all the trustees are UK resident then the trust is treated as UK resident and all its income is liable to UK tax. If all the trustees are non-resident the trust is

[2] Though commonly referred to as resident or non-resident trusts, it is of course trustees rather than trusts that have a residence/ordinary residence status for tax purposes.

treated as non-resident, and so only UK source income is within the UK tax regime.

4.26 Where only some of the trustees are not resident, section 110 FA 1989 comes into play and the status of the settlor(s) is taken into account. If the settlor was resident, ordinarily resident, or domiciled in the United Kingdom at the time he either made the settlement or later provided funds for it then the trust will be treated as UK resident. Otherwise the trust is treated as non-resident.

Capital gains tax test

4.27 The current CGT test in section 9 TCGA 1992 says:

'In this Act "resident" and "ordinarily resident" have the same meaning as in the Income Tax Acts.'

This basic starting point is then built on with detailed provisions for temporary UK residents, non-residents carrying on a trade in the UK through a branch or agency, gains accruing to members of non-resident companies, and so on.

4.28 As the tests start from the same basic premise it would appear that they should result in trusts having the same residence status for income tax and CGT purposes. In most cases they do. However, because of the detailed provisions in section 69 TCGA 1992 this is not always the case.

4.29 Section 69 says that trustees of a settlement are treated as a single and continuing body of persons who are treated as UK resident and ordinarily resident "unless the general administration of the trusts is ordinarily carried on outside the UK and the trustees or a majority of them for the time being are not resident or not ordinarily resident in the UK."

4.30 So for CGT purposes, a UK resident settlor can arrange for his or her trust to be non resident by ensuring a) that the general administration of the trust is ordinarily carried on outside the UK and b) that a majority of the trustees are not resident or not ordinarily resident in the UK.

4.31 Such a trust would be UK resident for income tax purposes because of section 110 FA 1989. As set out above, where there is a mixture of resident and non-resident trustees the deciding factor in determining whether the trust is treated as UK resident or not is the settlor's own residence or domicile. So in practice, the discrepancy between the tests can and does lead to some trusts being resident for income tax and non-resident for CGT purposes.

Harmonising the tests

4.32 The majority of respondents to the initial discussion papers said they favoured a harmonised test, and saw the best options as being either the current

income tax test or the current CGT test. The perceived advantages were either the greater certainty offered by the income tax rules, or the additional flexibility offered by the CGT test.

4.33 It is proposed the income tax test should become the common test because it provides simplicity and clarity. Trustees would be in no doubt as to whether they were UK resident or not for income tax and CGT.

Professional trustees

4.34 The current CGT regime contains special provisions for professional trustees. In relation to a particular trust, a UK-based professional trustee may be treated as non-resident where the assets were provided by a settlor who was at that time not domiciled, resident or ordinarily resident in the United Kingdom. Although there was some support for the idea of extending this idea to cover income tax, many felt this was unnecessary as most professional trustees in the UK have agreements with professional firms in other countries and can make arrangements so that trusts established by non-resident settlors are taxed in a non-UK jurisdiction. Therefore the proposal that the current CGT provisions for professional trustees should be applied to the new test is not being pursued.

Transitional issues

4.35 Few UK residents now choose to arrange their affairs in this way, but some trusts are UK resident for income tax but non-resident for CGT purposes, or vice versa. This may give rise to transitional difficulties when the tests are harmonised.

4.36 All trusts will be expected to apply the new residence test, and will therefore be either UK resident or non-resident for both income tax and CGT. It is proposed that trustees who are currently treated as non-resident for CGT purposes should have a transitional period of 12 months during which they may retain their existing income tax and CGT residence status before the harmonised test would have to apply. This period will allow the trustees to take a balanced decision as to whether or not they wish to make arrangements to retain their status as non-UK resident.

4.37 In summary it is proposed that:

- there should be a common definition of trust, based on the current inheritance tax definition,
- the CGT approach of treating trustees as a “single and continuing body of persons” should also be adopted for income tax purposes,

- the settlor-interested tests for income tax and CGT should be harmonised,
- the residence test for income tax and CGT should be harmonised, and
- the new residence test should be based on the existing income tax rules.

5. CHARGEABLE GAINS OF ESTATES

5.1 Where chargeable assets are transferred to a beneficiary in the normal course of the administration of a deceased person's estate there is no charge to CGT. However, a charge to CGT may arise where the personal representatives sell an asset to a third party in order to raise funds to meet estate liabilities.

5.2 All chargeable gains arising where a disposal has been made by personal representatives are chargeable at the RAT. If the disposal is made either in the year of death or the following two tax years then the personal representatives receive a full individual annual exempt amount (AEA), but after that any disposals are chargeable at the RAT without the benefit of any exemption.

5.3 This treatment is consistent with the CGT regime for trusts, as all chargeable disposals made by trustees (other than trustees of bare trusts) are chargeable at the RAT. The main difference is that most trustees get half of the AEA available to individuals. However, the charge at the RAT contrasts with the relatively benign income tax regime for estates.

5.4 Personal representatives do not pay income tax at the RAT. Instead, they pay tax at the Schedule F ordinary rate, lower rate or basic rate depending on the type of income received. All of their income eventually becomes chargeable in the hands of beneficiaries, who are in turn liable at their own marginal rates of tax and receive a credit for tax paid by the personal representatives. In effect the estate is transparent for income tax purposes.

5.5 Many beneficiaries of deceased persons' estates are not higher-rate taxpayers, and if an asset had been transferred to the beneficiary before being sold then the individual would normally only be chargeable at their own marginal rate of tax, and that only after using up their AEA.

Proposals

5.6 In the discussion papers issued in December 2003 two different ideas were put forward to reduce the effective CGT charge on basic rate beneficiaries. The first idea was to "stream" gains through to beneficiaries where the proceeds of the sale were passed on to them within a reasonable period. This proposal is not being taken forward for trusts on the grounds that it is contrary to the reason for setting up many trusts and would be very complex to administer. We think it would also be impractical for estates.

5.7 The second idea was to allow personal representatives to make an election to be treated as though the asset disposed of had been transferred to the estate beneficiary or beneficiaries immediately before the disposal. It was suggested

that the election would work in a way similar to section 171A TCGA 1992, which deals with gains realised within groups of companies.

Assent

5.8 Some respondents felt that changing the CGT regime for estates was unnecessary, because many well-advised personal representatives contemplating a disposal will assent to the transfer of the asset to the beneficiaries before they sell it. Once they have assented to the transfer they can still dispose of the asset in the normal way, but they do so in the capacity of bare trustees rather than personal representatives.

5.9 Where bare trustees dispose of an asset, the disposal is treated as being made by the beneficiary, who will then have their individual AEA available, as well as only being chargeable, at least initially, to CGT at the starting and then lower rates. Higher-rate taxpayers still pay tax at higher rate on their gains, but as the gains would have been chargeable at 40% if realised by the personal representatives most higher-rate beneficiaries benefit from this system provided they have not already used up their individual AEAs.

5.10 However, assent is not always an option. If the property is the only significant asset in the estate, disposing of it may not leave sufficient funds to meet other liabilities. And assent is not a mechanism recognised under Scots law, so this route is not open to personal representatives of Scottish estates.

5.11 A further suggestion made was that treating the disposal in this way should not be subject to an election but should instead be mandatory in all cases. The reason given was that such treatment would always be in the interests of the estate's beneficiaries, and leaving the option open would only make disputes between personal representatives and beneficiaries more likely.

Complex estates

5.12 There are likely to be situations where deeming an asset to have been transferred to beneficiaries immediately before the disposal will lead to complexities. For example, where a house forms part of the residue and the estate is solvent, but the balance of the estate is insufficient to cover the payment of a specific cash legacy, and so part of the proceeds of sale of the house have to be used to meet the specific legacy. In such circumstances there would have to be rules to determine the basis on which the gains were attributed to different beneficiaries.

5.13 It would be possible to design a set of rules to cope with this, and with other such situations. However, these would require an unhelpful degree of complexity. An alternative, more broad-brush solution might be to provide for a CGT rate of 20% (up to a capped limit), combined with the individual annual exempt amount, for personal representatives. This would offer a substantial

reduction in the amount of CGT paid by personal representatives, particularly those who are unable to assent to the distribution of estate assets to beneficiaries, without involving personal representatives in complex calculations.

5.14 Several respondents to the discussion papers have stressed that the tax system should if possible encourage personal representatives to complete the administration of an estate as soon as possible. For this reason, it is proposed to restrict any advantageous regime to the current basis of the (tax) year of death and the subsequent two tax years.

5.15 Having considered the options further, charging CGT at only the lower rate (20%) up to a capped limit in the year of death and the following two years appears the simplest and fairest way forward. **However comments as to the best way of dealing with CGT for personal representatives in order to give a fairer outcome for beneficiaries of deceased estates would be welcome.**

6. OTHER OPTIONS FOR CHANGE

Sub-funds election

6.1 STEP (the Society of Trust and Estate Practitioners) have suggested that trusts where assets have been split off into separate sub-funds administered by different groups of trustees should be able to elect to be treated as separate trusts for all income tax and CGT purposes. This suggestion offers practical benefits, as at present such trusts are always treated as a single entity for CGT purposes but are sometimes treated as separate trusts for the purposes of income tax. Under the current system this treatment may be perfectly correct, as it results from the different ways in which the charges to income tax and CGT are designed.

6.2 This idea is one that appears to offer significant benefits to the trustees of such trusts. Where such sub-funds exist for separate groups of beneficiaries (often different generations of the same family, or perhaps different branches of the family), an irrevocable election by the trustees to be treated as entirely separate entities for tax purposes would offer real administrative benefits to the trustees who would no longer have to exchange information about disposals from individual sub-funds in order to put together a return of chargeable gains for the overall trust.

6.3 However, there are some concerns about the potential for this idea to be exploited for tax avoidance purposes. This could be in a relatively straightforward way (attempts to exploit either annual exempt amounts for CGT or the proposed basic rate band for income tax purposes) or more seriously through artificial reorganisations of the assets within a trust. It is possible that the anti-avoidance measures needed to prevent exploitation of the proposal would be out of proportion to the perceived benefits. **Comments as to whether this proposal would benefit trustees where a single trust contains within it a number of sub-funds, and how best to counter any abuse of any such provision, would be welcome.**

Income of settlor-interested trusts

6.4 It is proposed that settlors would be chargeable on income from their settlor-interested trusts, but that instead of a charge under Case VI of Schedule D the income would be assessable as though it had arisen directly to the individual. The practical consequences of this are that bank and building society interest would initially be taxed on the settlor at lower rate, instead of basic rate. Income from property and trading income would as now be taxed at the basic rate, and settlors who are taxable at higher rate would still pay tax at that rate on the top slice of their income.

Capital items subject to income tax

6.5 A single charging mechanism will be introduced to ensure that items that are capital in trust law but deemed to be income by tax law and subject to the RAT will be brought into charge to the RAT in a consistent way.

Chargeable gains of settlors

6.6 The proposal to treat all gains of settlor-interested trusts as the settlor's, so that trust gains and losses could be set against individual gains and losses was also popular with some respondents to the discussion papers. However, it is clear that such a change would open up opportunities for tax avoidance. Moreover, complex rules would be needed to make this workable and to counter abuse of the system. As the disadvantages outweigh the potential benefits of such a change this proposal is not being taken forward.

7. PROPOSED MODERN TAX SYSTEM FOR TRUSTS

7.1 This section puts together the measures set out in the rest of the paper to show how the proposed new tax system for trusts would work. As the measures represent an attempt to improve the current system rather than to design a new system from scratch, many of the rules would be the same as they are now but these are repeated below for completeness.

DEFINITIONS

7.2 There would be common definitions of “trust” and “settlor-interested trust” for income tax and CGT. There would, as now, be variations on the common definitions to prevent avoidance, but there be would one set of simple definitions except in relation to transactions subject to the anti-avoidance rules. The definition of a trust would be based on the existing IHT definition of a settlement.

7.3 The existing income tax residence test would be used as the common residence test for trusts.

7.4 For income tax and CGT purposes trusts would in effect be divided into three categories; settlor-interested trusts, bare trusts and general trusts. Within the third “general trusts” category certain trusts would get, or be entitled to elect for, a different tax treatment in certain circumstances.

SETTLOR-INTERESTED TRUSTS

Income Tax

7.5 All the income, including deemed income, arising to a settlor-interested trust would be treated as the income of the settlor. The income would retain its character, so rent arising to the trustees would be taxed as rent in the settlor’s hands, bank interest as bank interest, and so on. The trustees would pay tax at the RAT on all trust income. If the tax paid by the trustees exceeded the settlor’s liability, he or she would reclaim any tax not due through Self Assessment, or exceptionally through the claims system. As now there would be no deductions for Trust Management Expenses (TMEs).

7.6 Payments of income out of the trust to beneficiaries other than the settlor would be treated as payments by the settlor to those beneficiaries. Reliefs due to an individual, such as those for charitable giving, would be available to the settlor in respect of funds paid out from the trust.

Capital Gains Tax

7.7 Trust losses would, as now, not be capable of being set against personal gains. Putting assets into a settlor-interested trust would be treated as a disposal and acquisition, as now.

BARE TRUSTS

Income Tax

7.8 The absolute beneficiary would be taxed on the income arising as if the trust did not exist. The trustees would not be obliged to pay income tax on behalf of the beneficiary. At present some bare trusts choose to Self Assess, usually where this makes agreeing the amount of the income easier than dealing with a number of tax offices for all the beneficiaries. The Inland Revenue also issues SA returns to some bare trusts either for compliance purposes or where there is an administrative benefit from doing so. Those arrangements would continue, though the great majority of bare trusts will, as now, fall outside the Self Assessment system.

Capital Gains Tax

7.9 The current CGT position would continue. Gains would be taxed on the absolute beneficiary as if the trust did not exist. The trustees would pay no CGT.

7.10 Creating or ending the trust would not restart the taper clock or be treated as a CGT disposal unless the "owner" of the assets changed. So a transfer by Mr Andrews into a bare trust for the benefit of Mr Smith would be a chargeable event. But a subsequent transfer by the trust to Mr Smith would not.

7.11 The trust would get no AEA. The beneficiary would have their own AEA. The trust would not count as a trust for the purposes of restricting the AEA of other trusts made by the same settlor.

GENERAL TRUSTS

7.13 General trusts would include discretionary trusts, accumulation trusts and interest in possession trusts, and all would be taxed under a common regime. The tax treatment for interest in possession trusts would be largely as it is now, subject to any changes resulting from the common definitions and tests set out above. Having a single set of rules would simplify things and mean that for tax purposes the distinctions between these various categories of trust would become less important.

Income Tax

7.14 All income arising during a year would initially be taxed at the Schedule F ordinary rate, the lower rate or the basic rate as appropriate. Where a beneficiary became entitled before the end of the year to that income, or where they were entitled to the income as it arose - an interest in possession - then the income would flow through the trust to the beneficiary. So bank interest of £100 from which tax of £20 had been deducted would flow both into and out of the trust as bank interest and the tax of £20 would be repayable if the beneficiary was not liable to tax. However, certain types of deemed income – generally receipts that are capital in trust law - would be taxed at the RAT.

7.15 Discretionary income payments made by 31 December after the end of the tax year would also flow through as above. Income paid out after the end of the year would be treated as the beneficiary's for the tax year in which they received it, rather than the year the trustees received it.

7.16 Where under the terms of the trust a beneficiary was entitled to a particular stream of income (an interest in possession trust), such as all the dividends, then the income they received would be treated as dividend income. Where they just receive income with no entitlement (from a discretionary trust) then payments would be treated as made rateably out of the various sorts of income arising to the trustees.

7.17 Income in excess of the £500 basic rate band and not paid out by 31 December after the end of the tax year, and deemed income for tax purposes, would be taxed on the trustees at the RAT (40% for most income, or the Schedule F trust rate of 32.5% for distributions).

7.18 Payments to beneficiaries would either be income or capital payments depending on the trust law. Income payments would carry a non-payable 40% tax credit ensuring the beneficiary would have no further tax to pay when they received the income but they would not be entitled to any repayment of the tax credit either.

7.19 The rules for trust management expenses (TMEs) are being clarified in consultation with representative bodies to ensure fair and consistent

treatment. Most respondents to the discussion papers felt that what was needed was improved guidance. Our intention is to issue revised and expanded guidance, based upon the rules as they stand now, in the Autumn of 2004. It is possible that minor legislative changes may be necessary to achieve this.

Capital Gains Tax

7.20 The trustees would be taxable on all chargeable gains at the RAT.

7.21 Transfers into or out of the trust would be treated as a disposal and acquisition (including transfers out of a trust to a beneficiary) and the normal CGT rules for trust assets, such as taper relief would apply.

7.22 In most cases trusts would continue to get half the full AEA for an individual, subject to the existing anti-fragmentation rules.

SPECIAL TRUSTS

7.23 There would be certain special classes of trust which would be treated differently from the above rules:

Trusts for the most vulnerable

7.25 Certain trusts could elect for the income and gains arising to the trust to be based more closely on the circumstances of the vulnerable beneficiary.

7.26 The trustees' income would be taxed as if the trust was a bare trust with the actual tax due being determined under the existing SA or R40 (repayment claims) procedures, based on the beneficiary's circumstances. If the tax paid by the trustees exceeded the beneficiary's liability, he or she would reclaim any tax not due through the claims system. The beneficiary would need a statutory right to recover any tax due from the trustees, and be required to repay any tax repayment he or she obtained to the trustees.

7.27 Settlements for disabled people which take the form of "structured settlements" would continue to be exempt from tax under the current legislation.

EMPLOYEE SHARE OPTION TRUSTS

7.28 These trusts enjoy exemptions from income tax on some dividends plus some CGT exemptions or special treatment. These would remain.

SCOTTISH AND NORTHERN IRISH TRUSTS

7.29 Scottish and Northern Irish trust law is different from trust law in England and Wales. The new system would seek to ensure that for tax purposes there would be consistency of treatment across the UK, in order to provide greater clarity and reduce compliance costs. So Scottish and Northern Irish trusts would be taxed in the same way as other UK trusts, depending on the category into which they fell.

ESTATES IN ADMINISTRATION

7.30 Estates would continue to receive the full CGT AEA for an individual for the tax year in which a person died and the two following years. In addition gains arising in the year of death and the following two years would be taxed at the lower rate of tax, rather than the RAT, up to a capped limit.

ANTI AVOIDANCE PROVISIONS

7.31 As stated above it is recognised that such a tax system for trusts would provide new tax avoidance possibilities. We will therefore need provisions to stop avoidance and some of those provisions will necessarily be complex. However the intention is that for those not seeking to use a trust to avoid tax the system will be simpler and easier to comply with.

8. ABOUT THE CONSULTATION PROCESS

THE CONSULTATION CRITERIA

1. **Consult widely throughout the process, allowing a minimum of 12 weeks for written consultation at least once during the development of the policy.**

2. **Be clear about who may be affected, what questions are being asked, and the timescale for responses.**

3. **Ensure that your consultation is clear, concise and widely accessible.**

4. **Give feedback regarding the responses received and how the consultation process influenced the policy.**

5. **Monitor your department's effectiveness at consultation, including through the use of a designated consultation co-ordinator.**

6. **Ensure your consultation follows better regulation best practice, including carrying out a Regulatory Impact Assessment if appropriate.**

If you feel that the consultation does not satisfy these criteria, or if you have any complaints about the process, please contact

Steve Webster
Regulatory Impact Unit
New Wing
Somerset House
London
WC2R 1LB

Tel: 020 7438 6535

E-mail address: Steve.Webster@ir.gsi.gov.uk

REGULATORY IMPACT ASSESSMENT

A Partial Regulatory Impact Assessment (RIA) has been prepared to assess the impact, in terms of costs, benefits and risks of the proposals for modernising the tax system for trusts.

This document is available on the Inland Revenue website at the following address:

http://www.inlandrevenue.gov.uk/budget2004/trusts.pdf

Or a paper copy can be obtained by writing to:

IR Trusts
Room 112
New Wing
Somerset House
Strand
London
WC2R 1LB

Fax number: 020 7438 8342

Email address: Andrew.Hayward@ir.gsi.gov.uk

LIST OF THOSE CONSULTED

The attached representative bodies, businesses and government departments have been included in this consultation process. If you have any suggestions of others who may wish to be involved in this process please contact us.

Trade Associations

Association for the European Securities Industry
Association of British Insurers
Association of Corporate Trustees
Association of Friendly Societies
Association of Independent Financial Advisors
Association of International Life Offices
Association of Investment Trust Companies
British Bankers' Association
BVCA
Confederation of British Industry
Country Land and Business Association
Estates Business Group
Federation of Small Businesses
Historic Houses Association
Institute of Directors
Investment Management Association
Investment and Life Assurance Group
Low Incomes Tax Reform Group
ProShare
Quoted Companies Alliance

Charitable sector and representative groups for disabled people

Barnardos
Charities Aid Foundation
Charities Tax Reform Group
Contact a Family
Council for Disabled Children
Disability Alliance
Disability Rights Commissioner
Family Fund
MENCAP
NCVO
SCOPE
Thalidomide Trust

Other Governement Departments

Department of Constitutional Affairs
Department of Health
Department for Work and Pensions
HM Customs & Excise
Office of the Deputy Prime Minister
Office of the Official Solicitor and Public Trustee
Public Guardianship Office

Accountancy Bodies

Association of Chartered Certified Accountants
Chartered Association of Certified Accountants
Chartered Institute of Public Finance and Accountancy
Chartered Institute of Taxation
Institute of Chartered Accountants in England and Wales
Institute of Chartered Accountants in Scotland
Society of Law Accountants in Scotland
Society of Trust and Estates Practitioners
STEP (Scottish branch)

Legal Bodies

Law Society for Northern Ireland
The Law Society of Scotland
Revenue Law Committee
Scottish Law Commission
The Law Society of England and Wales
The Law Commission
City of Westminster & Holborn Law Society

Businesses and other stakeholders

Abacus Tax Services
Addleshaw Goddard
AIG Life
Alan Nedas Associates
Alder Asset Management Ltd
Allen & Overy
Armstrong Financial
Baker Tilly & Co. Ltd.
Barclays Private Clients
Berwin Leighton Paisner
Bircham Dyson Bell
Blake Lapthorn Linnell
Brodies Solicitors
Burges Salmon
Burnett & Reid
Buzzacott Chartered Accountants
CFM Ltd.
Charles Russell Solicitors
Chiene & Tait
Clarke Wilmott Solicitors
Clifford Chance
Clyde & Co.
Cobbetts Lee Crowder
Cockburns Solicitors
Collins Stewart Asset Management

Businesses and Other Stakeholders, cont…

Cripps Harries Hall Solicitors
Davenport Lyons
Deloitte & Touche Private Clients Ltd.
Dixon Wilson
Ernst & Young LLP
Eversheds
Farrer & Co.
Freshfields Bruckhaus Deringer
Friends Provident
Garbutt & Elliott
Gerrard
Grant Thornton (Accountants)
Hansells Solicitors
Haysmacintyre
HBOS Financial Services
Healthy Investment
Horwath Clark Whitehill
HSBC Trust Company
Investment Management Association
Isokon Ltd.
Key Financial Planning Limited
KPMG LLP
Lester Aldridge
L'estrange & Brett, Solicitors
Lindsays WS, Solicitors
Linklaters
Littlejohn Frazer
Macfarlanes
Martineau Johnson
Maxine Higgins
May, May & Merrimans
Mazars
McCarthy Taylor Consulting Ltd.
Merchant Investors
Mishcon de Reya
MJC Financial Planning Ltd.
Monro Fisher Wasbrough
Moore Stephens
National Grid Transco
Nicholson Graham & Jones
Northern Bank Executor and Trustee Company Ltd.
Pitmans, Solicitors
PKF
PriceWaterhouse Coopers LLP
Provenio Financial Planning Limited
Prudential
RBS/NatWest
rhw solicitors
Richard Jacklin & Co.
Royal Bank of Canada
Ryecroft Glenton
Scottish Equitable plc
Scottish Widows
SG Hambros
Shepherd & Wedderburn
Simpson Wood
Skandia
Speechly Bircham Solicitors
St James's Place
Standard Life
Tenon Group
The Abbey National Group
The Cavanagh Group
The Goodman Craig Partnership
Trevor Jones
Trust Matters Ltd.
Warren Consultants
Watson Wyatt LLP
Wbs Chartered Accountants
Westbury Financial Management