

00:00:01.812 Hi there.

00:00:02.538 Welcome to this short session on chargeable events particularly who is liable for

00:00:07.818 the tax when the bonds under trust. The information in this short event is

00:00:13.692 accurate as at the date you'll see in the important information below.

00:00:22.932 My name's Les Cameron, I'm Head of Technical here at Prudential and I'll take you through

00:00:27.321 everything you need to know about identifying who has the liability

00:00:30.951 for taxation

00:00:32.304 when there's a chargeable event under trust

00:00:37.980 Now, for taxation of bonds held under trust there's only two types of

00:00:42.963 trust in tax terms.

00:00:43.953 You've got bare or absolute trusts and then you've got all the other ones like

00:00:48.507 discretionary trusts or interest in possession trusts

00:00:55.173 So the liability where the trust is bare.

00:00:59.859 This depends like so much in the tax system it depends on stuff sometimes.

00:01:03.456 This depends on whether it's a discounted gift trust or a standard trust.

00:01:11.607 Look at standard first

00:01:15.270 relatively straightforward.

00:01:16.920 Generally speaking with a bare or absolute trust if there is a chargeable event

00:01:21.639 the beneficiary is liable for the taxation.

00:01:25.434 There is a quirk though, the parental settlement rule can apply

00:01:28.272 so if the parent was the settlor of the trust and the gains

00:01:33.222 over 100 pounds then it would be the settlor  
or the parent who was liable for

00:01:37.809 the taxation.

00:01:41.307 Discounted gift, I'm just going to explain the  
00:01:43.518 issues to you.

00:01:47.148 I've got some support material I'll cover  
later which goes into it in a lot more

00:01:51.603 detail. Broadly speaking follows the same,  
generally, the beneficiary who is liable.

00:01:54.012 However there are scenarios where the settlor  
could be liable.

00:01:58.236 It depends on the chargeable event,  
what triggered the chargeable event.

00:02:02.922 Was it a withdrawal to meet a settlor payment  
or a beneficiary payment.

00:02:07.245 But there's more detail in the resources  
and I won't go into any more just now.

**00:02:14.934** Now we have all other trusts, who is liable.

00:02:18.234 If it's not a bare trust.

00:02:19.554 If it's a discretionary trust or an interest  
in possession trust et cetera et cetera.

00:02:24.900 Well it can either be the settlor the  
trustees or the beneficiary. I'll start

00:02:31.005 with settlor.

00:02:32.292 You'll see a little asterisk there.

00:02:34.470 That's because of the dead settlor rule that's a  
quirk and only applies to trusts that were

00:02:40.311 set up pre March 98 and the settlor also died  
pre March 98.

00:02:46.284 So just remember March 98 point probably  
unlikely there's gonna be any bonds held in

00:02:52.389 trust in 2020 now that have been on the go  
00:02:54.468 where the settlor died pre March 98, but just  
something to bear in mind in

00:02:54.864

00:02:59.055 case it comes up.

00:03:00.507 Generally speaking the dead settlor rule does not apply.

00:03:05.160 So here's a question in the tax year of chargeable event was the settlor UK resident and alive.

00:03:10.143 Remember this is in the tax year

00:03:11.529 the chargeable event happens

00:03:17.271 if the answer to both of those questions is yes then the settlor is liable if

00:03:22.485 the answer is No.

00:03:25.554 Then you look at the trustees.

00:03:27.501 If it's UK resident trustees then the trustees are liable for the tax

00:03:34.629 If you can't find some trustees to tax.

00:03:36.642 We then look at the beneficiaries any beneficiary who benefits from the proceeds

00:03:41.790 that generated the chargeable event.

00:03:43.902 If they're UK resident then it's the beneficiary who's gonna be liable for the chargeable event taxation.

00:03:48.852 Now there's a quirk and the quirk

00:03:51.228 is about top slicing

00:03:56.508 Settlers can top slice.

00:03:58.191 That's normal because it's their individual taxation position. trustees can't top slice

00:04:04.296 as they're additional rate taxpayers.

00:04:06.507 Now in this case beneficiaries can't top slice.

00:04:10.368 That's because we're not taxing this on the beneficiaries individual possession we're

00:04:15.681 taxing it when it's the charitable event has happened inside the trust.

00:04:20.202 So the beneficiaries in this scenario can't top slice.

00:04:24.525 Contrast that with if the bond had  
been assigned to the beneficiary

00:04:29.046 prior to encashment.

00:04:30.135 And then you would have moved over into  
individual taxation and top slicing would

00:04:34.161 have applied there.

00:04:35.514 So this only applies this quirk where the  
chargeable event happens inside the trust

00:04:39.870 while the trustees are still the owner and  
that's everything you need to know about

00:04:45.018 the taxation of chargeable events in trusts.

00:04:49.440 I did promise support material

00:04:56.007 Our Pruadviser website has lots of technical  
information for you and PDFs.

00:05:00.858 This is just four of the things  
related to today's topic.

00:05:04.554 There's a UK bond and an offshore bond  
taxation article and this gives you a lot of

00:05:09.702 information about chargeable events  
including where a trust is involved.

00:05:14.058 Remember I said the absolute or bare  
discounted gift trust was a bit quirky all

00:05:19.701 the quirks and what you need to know  
is in our technical center page,

00:05:23.100 called what is a discounted gift trust.

00:05:26.103 Then finally we've got a PDF called important  
information about trusts.

00:05:31.350 If you have a look at number four there  
it says who's assessed for the tax in

00:05:35.343 a chargeable event gain on a bond in trust.

00:05:38.181 And if you click through there  
it's an interactive PDF.

00:05:41.316 You can go through a flow chart asking you  
various questions and that will tell you your  
answer

00:05:49.533 Now.

00:05:49.995 Thanks for your time.

00:05:51.018 I hope you found that useful.

00:05:52.602 If you would like any further information  
please don't hesitate to contact your usual

00:05:57.387 Prudential account manager.

00:05:59.301 Alternatively you can check out the  
technical section of our knowledge

00:06:02.700 center on [pruadviser.co.uk](http://pruadviser.co.uk).

00:06:06.561 Thanks for listening.