



# ***How to fill in the Trust and Estate Tax Return***

*This guide has step by step instructions to help you fill in the Trust and Estate Tax Return.*

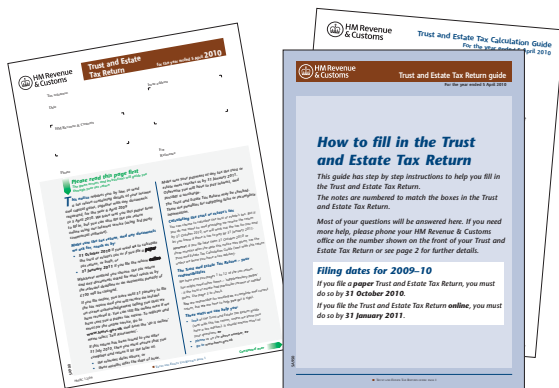
*The notes are numbered to match the boxes in the Trust and Estate Tax Return.*

*Most of your questions will be answered here. If you need more help, please phone your HM Revenue & Customs office on the number shown on the front of your Trust and Estate Tax Return or see page 2 for further details.*

## ***Filing dates for 2009–10***

*If you file a **paper** Trust and Estate Tax Return, you must do so by **31 October 2010**.*

*If you file the Trust and Estate Tax Return **online**, you must do so by **31 January 2011**.*

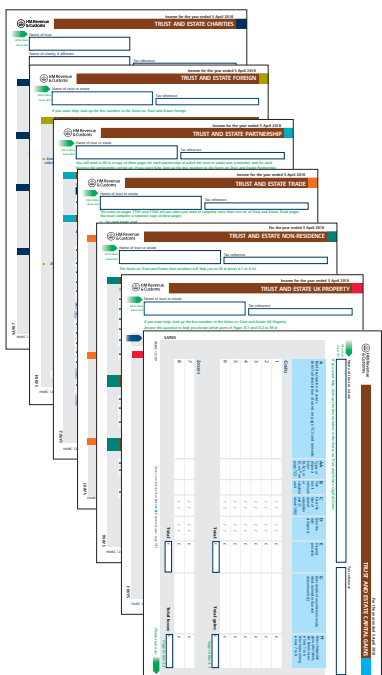


The Trust and Estate Tax Return asks for details of income and capital gains. With it we have sent two guides; this one to help you fill in the Trust and Estate Tax Return, and another to help you calculate the Trust or Estate's tax bill (if you want to).

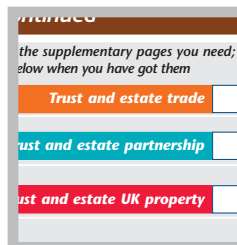
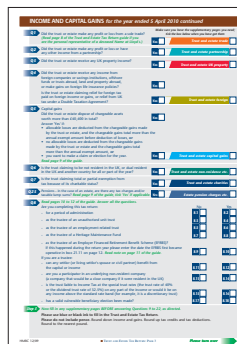
All trustees and personal representatives get the first 12 pages of the tax return. There are other 'supplementary' pages for some types of income and gains. For example, there are pages for trade income, and for foreign income. From the information we already have we will have included any pages, if we think you need them, after page 12 of the Trust and Estate Tax Return.

But it is your responsibility, whether or not there are supplementary pages after page 12, to make sure that you complete the right ones.

You must send the ones you need to complete back to us on time with the rest of your Trust and Estate Tax Return. Otherwise, you will be liable to an initial automatic penalty of £100, and further penalties for continued delay.



Supplementary pages are illustrated on pages 8 and 9 of this guide.



The SA Orderline is open daily (except Christmas Day, Boxing Day and New Year's Day) on 0845 9000 404. A textphone service is available on this number. You can also order by fax on 0845 9000 604, or online at [www.hmrc.gov.uk/contactus/staustellform.htm](http://www.hmrc.gov.uk/contactus/staustellform.htm) or in writing to PO Box 37, St Austell, PL25 5YN.

To register for Self Assessment Online for Trusts go to <https://online.hmrc.gov.uk/registration/organisation>

First, fill in page 3 of the Trust and Estate Tax Return to see which pages you need to fill in. Pages 8 and 9 of this guide will help.

Next, if you need any of the supplementary pages or helpsheets mentioned in this guide phone the SA Orderline or go to [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

If you ask us to calculate the trust's or estate's tax, or if you complete a paper Trust and Estate Tax Return, you must make sure it reaches us by 31 October 2010. If the paper tax return reaches us after this date, you will be charged an automatic penalty of £100.

If we receive the Trust and Estate Tax Return after 31 October and you have not worked out your tax, we will do it for you but we cannot guarantee to tell you what to pay by 31 January 2011.

So if you do not know what to pay, make an estimate and pay that. If you do not pay enough, you will have to pay interest and possibly a surcharge.

But why not use our Self Assessment Online service to file the tax return over the Internet using third party commercial software? It is secure and accurate, and you will get immediate acknowledgement of receipt. In addition:

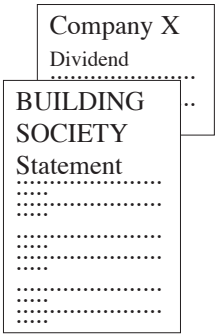
- you will have until 31 January to file the tax return online, and
- if we owe the trust or estate money then a faster repayment should be made than if you fill in a paper tax return.

If you miss the 31 October deadline for the paper tax return, you can still file online by 31 January 2011, and no penalty will be charged. If you file a paper tax return after 31 October 2010, or an online tax return after 31 January 2011, then you will be liable to an automatic penalty of £100. Make sure payment of any tax reaches us by 31 January 2011.

Otherwise, you will have to pay interest and possibly a surcharge.

**Do not delay completing the Trust and Estate Tax Return.**

You do not have to wait for the deadline shown on the front of the tax return. If you tackle it earlier you will have more time to get help if you need it. Sending it earlier does not mean you have to pay tax any sooner. If you are not sure what to do, please ask for help before you start to fill in the Trust and Estate Tax Return.



Gather together information about the financial circumstances of the trust or estate for 2009–10, such as dividend vouchers and other financial records. Do not send these with the Trust and Estate Tax Return; keep them safe. If you are a trustee you need to decide:

- if you are resident in the UK, **and**
- at what rate you are taxable.

To do this you must work through the guidance for Question 8 on pages 10 to 12 of this guide.

Personal representatives should refer to the section 'Basis of taxation for personal representatives' on page 10 of this guide.

When you are ready to fill in the Trust and Estate Tax Return, pages 4 and 5 of this guide tell you what to do, and the rest of the guide will help you fill in the boxes. If you need more help ask us or your tax adviser.

If you have a disability that makes filling in the return difficult we will be able to help you complete the form. If this applies, please contact us.

If, after sending us the Trust and Estate Tax Return, you find that you have made a mistake, or any details have changed, then let us know at once.

You must provide final figures to replace any provisional amounts as soon as you can. You will only be penalised if the tax return is incorrect because you failed to take reasonable care or if there is unreasonable delay in providing corrected figures once they are known to you. The maximum penalties can range from 30% to 100% of the difference between the correct tax due and the amount that would have been due on the basis of the figures you returned. In some circumstances you could also be prosecuted for deliberate errors.

*When your HM Revenue & Customs office is closed, phone the helpline on 0845 9000 444 for general advice (textphone is available). It is open every day (except Christmas Day, Boxing Day and New Year's Day).*

**Yr Iaith Gymraeg/Welsh Language**

*Ffoniwch 0845 302 1489 i dderbyn fersiynau Cymraeg o ffurflenni a chanllawiau.*

*You are responsible for the accuracy of the Trust and Estate Tax Return.*

*If we cannot agree with the information you provide, or we differ on a point of law, you have right of access to an independent tax tribunal.*

**Factsheet HMRC1: HM Revenue & Customs decisions – what to do if you disagree, available from [www.hmrc.gov.uk](http://www.hmrc.gov.uk) or your HM Revenue & Customs office, tells you about this process.**

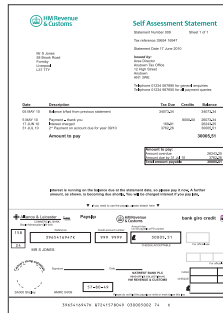
When we get the completed Trust and Estate Tax Return we will process it using your figures, to work out how much the trust or estate owes, or how much we owe it. If we see any obvious mistakes - for example, in the arithmetic - we may put them right and tell you what we have done. If we are not sure about a figure you have entered on your return, we may want to contact you to make sure we have understood what you meant. It would be helpful if you enter a daytime phone number in box 19.1. When we process the return we shall only be looking at the return and documents we have requested.

We will send you our calculation of the trust or estate tax if you have asked us to do it. If you have calculated the trust's or estate's tax, we will let you know if it is wrong.

We will send to you a statement of the trust's or estate's account with us but if you miss the 31 October deadline it may not include the liability for 2009–10.

This will explain how to pay any tax due - see the notes on page 29 of this guide.

Once the Trust and Estate Tax Return has been processed it may be checked. We have 12 months after we receive the tax return to do this. We may make some enquiries about the figures and ask you to send us the records from which you took them. We may also check the figures against details received from other sources, such as banks.



*Your Charter explains what you can expect from us and what we expect from you. For further information please go to [www.hmrc.gov.uk](http://www.hmrc.gov.uk) Page 31 explains how to complain if you are dissatisfied with the way we handle the trust's or estate's tax affairs. Read page 30 of this guide if the Trust and Estate Tax Return was delivered to you after 31 July 2010.*

**2010**

**You must, by law, have kept all records.** Failure to do so could give rise to penalties.

**April 2010**

**You receive the Trust and Estate Tax Return:**

- check to see you have the right pages
- find the trust's or estate's records
- fill in the Trust and Estate Tax Return

Go to

**[www.hmrc.gov.uk](http://www.hmrc.gov.uk)** for information about filing online. When you file online:

- you have a later deadline to complete the tax return, and
- you will receive an immediate acknowledgement of receipt.

**31 October 2010**

You must get your tax return to us by this date if you want us to:

- calculate the trust's or estate's tax
- tell you what to pay by 31 January 2011.

If we receive a paper tax return after 31 October 2010, you will be charged an automatic penalty of £100. You can avoid this penalty if you file online after this date, even if we have issued a paper return.

**31 January 2011**

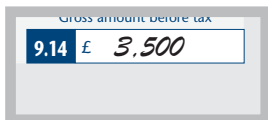
Whichever method you use to file your tax return, this date is important if you want to avoid automatic penalties and interest. You must:

- make sure we have received the completed online tax return
- pay the balance of any tax the trust or estate owes for 2009–10
- pay the first payment on account for the 2010–11 tax year, if appropriate.

**You must send us the Trust and Estate Tax Return and pay what is owed by this date to avoid automatic penalties and interest.**

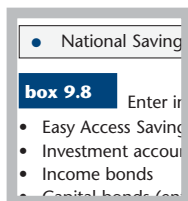
Answer all the applicable questions and fill in the appropriate pages and boxes.

- Write clearly using blue or black ink and only in the spaces provided.
- Use numbers only, when you are asked for amounts.
- Please do not include pence - round down income and gains, to the nearest pound, and round up tax credits and tax deductions - for example, if National Savings & Investments interest is £3,500.87, enter £3,500 in box 9.8. Round all the boxes, not just totals. For example, if you need to fill in boxes 9.12 to 9.14, round down boxes 9.12 and 9.14, and round up box 9.13. (This may mean that box 9.14 does not exactly equal box 9.12 plus box 9.13.)
- Please do not include entries such as 'per attached', 'per enclosed accounts' or 'to follow'.
- Do not delay sending the Trust and Estate Tax Return just because you do not have all the information you need - see the notes for box 21.5 on page 26 of this guide.



If you need help, look up the Question or box number in the notes. The first part of each number shows which Question it relates to, for example, box 9.8 is the eighth numbered box of Question 9.

You may find that in some parts of the Trust and Estate Tax Return you are asked to put a loss in brackets. When you are asked to **add** a number to a loss, you should deduct one from the other (for example, 60 + (40) = 20).



**Step 1**

Read the first part of page 2 of the Trust and Estate Tax Return to find out if you can ignore some of the Questions (there is a flow chart on pages 6 and 7 of this guide that will help you decide).

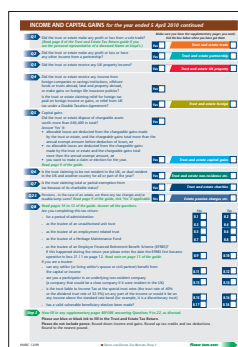
Although there is no requirement on bare trustees to make a tax return, you do have the right to complete the return and account for any basic or lower rate tax due on income received gross provided this is acceptable to all beneficiaries. However, bare trustees cannot return any capital gains or gains on life insurance policies, life annuities or capital redemption policies; these continue to be the beneficiaries' responsibility only.

Beneficiaries will also be required to enter all trust income received (either net or gross) on any tax return, or claim form, they are required to complete.

If you are the trustee of a charitable trust read part 4 of Step 1 on page 2 of the Trust and Estate Tax Return to see if you can ignore some of the Questions in the return.

**Step 2**

Answer Questions Q1 to Q7, Q23 and then Q8 (unless Step 1 has instructed you otherwise) on page 3 of the Trust and Estate Tax Return. If you tick the 'Yes' box phone the SA Orderline for any supplementary pages you need, or go to [www.hmrc.gov.uk](http://www.hmrc.gov.uk)



Page 3 of the Trust and Estate Tax Return

**WHAT IS IN THE REST OF YOUR TAX RETURN GUIDE**

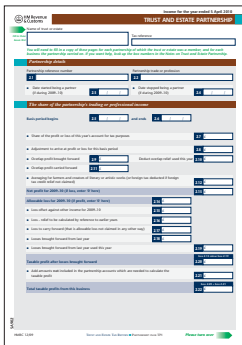
**Step 3**

Fill in the supplementary pages that apply to you.

If you use photocopies, please enter the trust's or estate's name and tax reference on each copy.

Then fill in Questions Q9 to Q22, as directed by the return.

*Example of filling in page 4 of the Trust and Estate Tax Return*



*Example of filling in boxes on page TL2 of the supplementary Trust and Estate UK Property pages*

copy from box 3.14	3.19	£	
	3.20	£	24,000
	3.22	£	
	3.22A	£	
	3.23	£	24,000
	3.24	£	5,600
	3.25	£	1,800
	3.26	£	
	3.27	£	
	3.28	£	
	3.29	£	
	3.30	£	7,400
	3.31	£	16,600
	3.32	£	

Enter in these boxes the expenses you want to claim.

If you want to calculate the trust's or estate's tax, you will have to include this figure in the calculation. The Trust and Estate Tax Calculation Guide will help you work it out.

**Income not already**

YES  NO If yes, fill in boxes 9.1 to 9.40 as appropriate.

ances leave blank some of boxes 9.1 to 9.40:  
**possession trust (one which is exclusively an interest in possession trust)**, deducted before you received it (or is UK dividends with tax credit) unless the beneficiary and there are accrued income scheme losses to set against against general income, or  
 take a payment on account which would not be due if you included it - Calculation Guide concerning payments on account **before** following

a **deceased person** you may exclude income which has had tax deducted (with tax credit) unless there are accrued income scheme losses to set against in 10A on page 6 exceed untaxed income, you will need to include estate e a repayment can be calculated.

dividends with tax credit) which you are not including in this above apply?  YES  NO

in UK banks and building societies (including UK internet accounts) **g society etc. account enter totals in the boxes.**

Amount after tax taken off	Tax taken off	Gross amount before tax
9.1 £ 80	9.3 £ 20	9.4 £ 100
Amount after tax taken off	Tax taken off	Gross amount before tax
9.5 £	9.6 £	9.7 £
First Option Bonds		Taxable amount
		9.8 £

Enter in these boxes the total building society interest which has had tax deducted. If you want to calculate the trust's or estate's tax, include the relevant figures in the calculation. The Trust and Estate Tax Calculation Guide tells you what to do.

If the trust or estate received any other income tick the 'Yes' box and fill in boxes 9.1 to 9.40, as appropriate.

Fill in Question 17 if you have calculated the trust's or estate's tax bill.

Finally, sign and date the Declaration and send the completed tax return back to us. Do not include the trust's or estate's financial records. Keep them safe.

**Declaration**

I have filled in and am sending back to you the following:

1 to 12 of this form  Trust  Trust and estate trade  Trust and estate partnership  Trust

Before you send the completed tax return back you must sign and date the Declaration.

If you give false information or conceal any part of the information you are liable to financial penalties and/or you may be prosecuted.

22.1 The information I have given in this tax return

Signature *John Green*

Please print your name in box 22.2

22.2

Pages 8 and 9 will help you fill in page 3 of the Trust and Estate Tax Return.

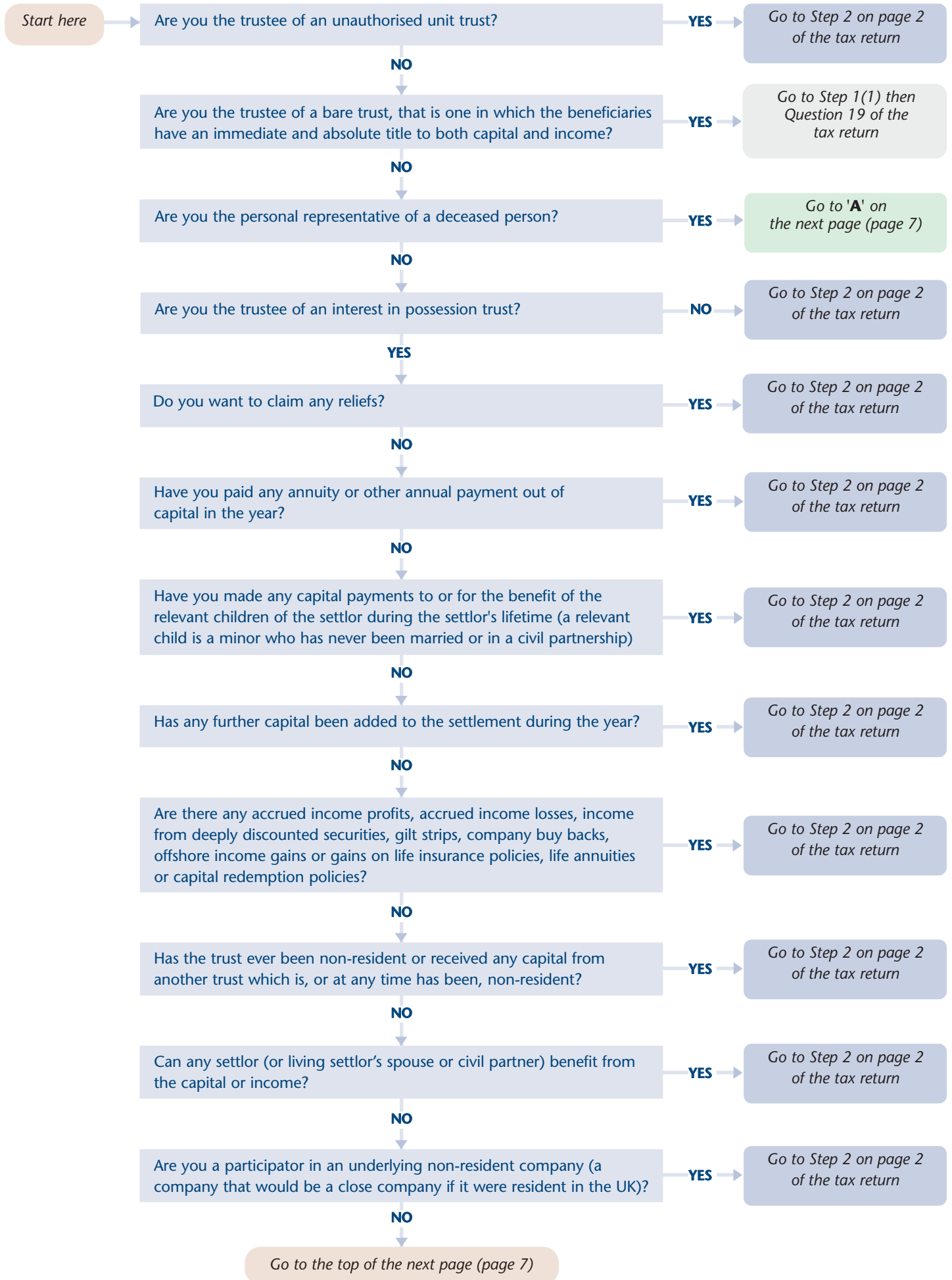
Pages 10 to 27 give you box by box guidance to help you fill in pages 3 to 12 of the tax return.

You can use page 28 to add up any figures to be included in the tax return.

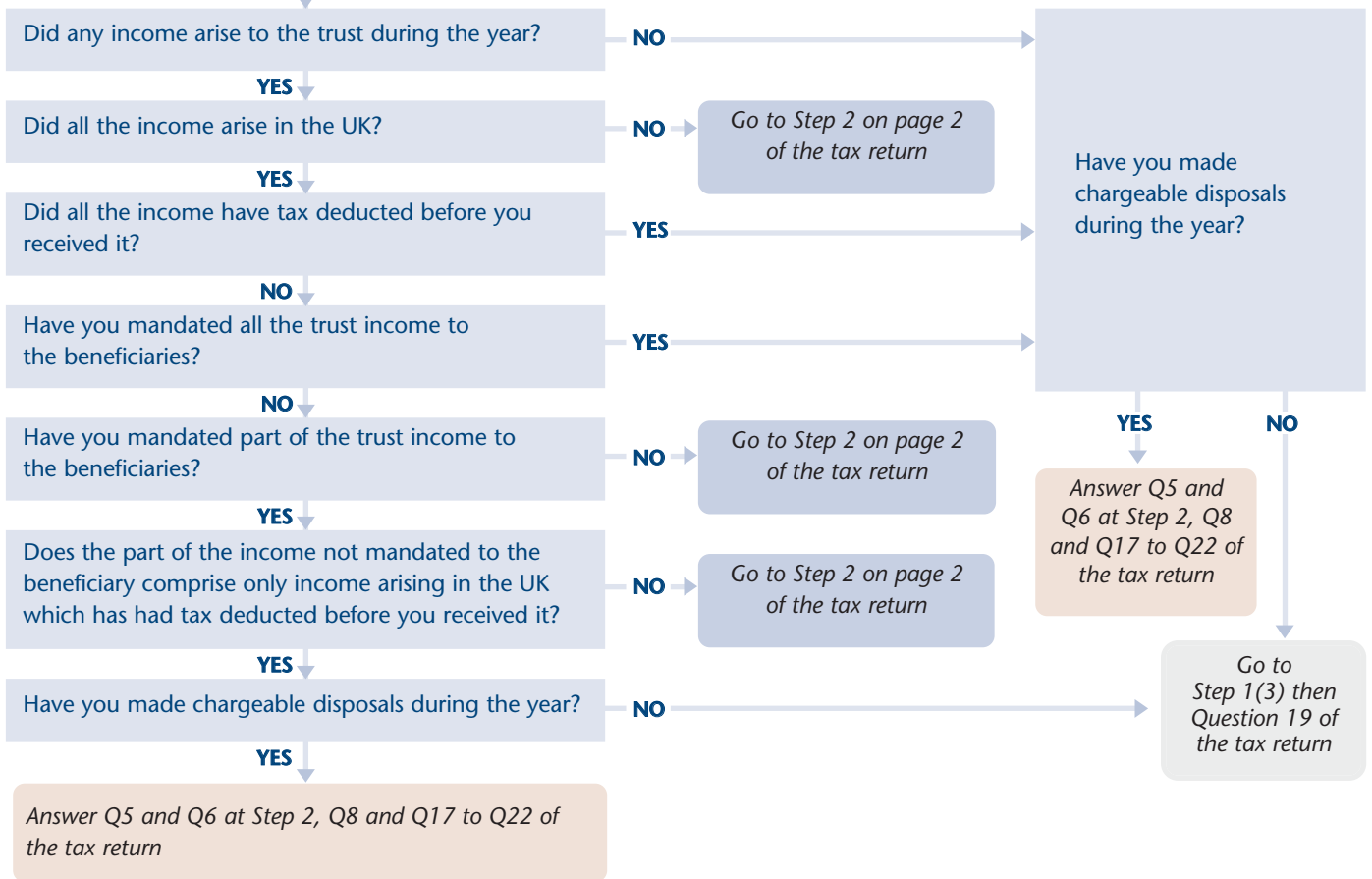
Page 29 includes information about paying the trust's or estate's tax.

Notes at the back of this guide will help you complete any supplementary pages we have included in this return.

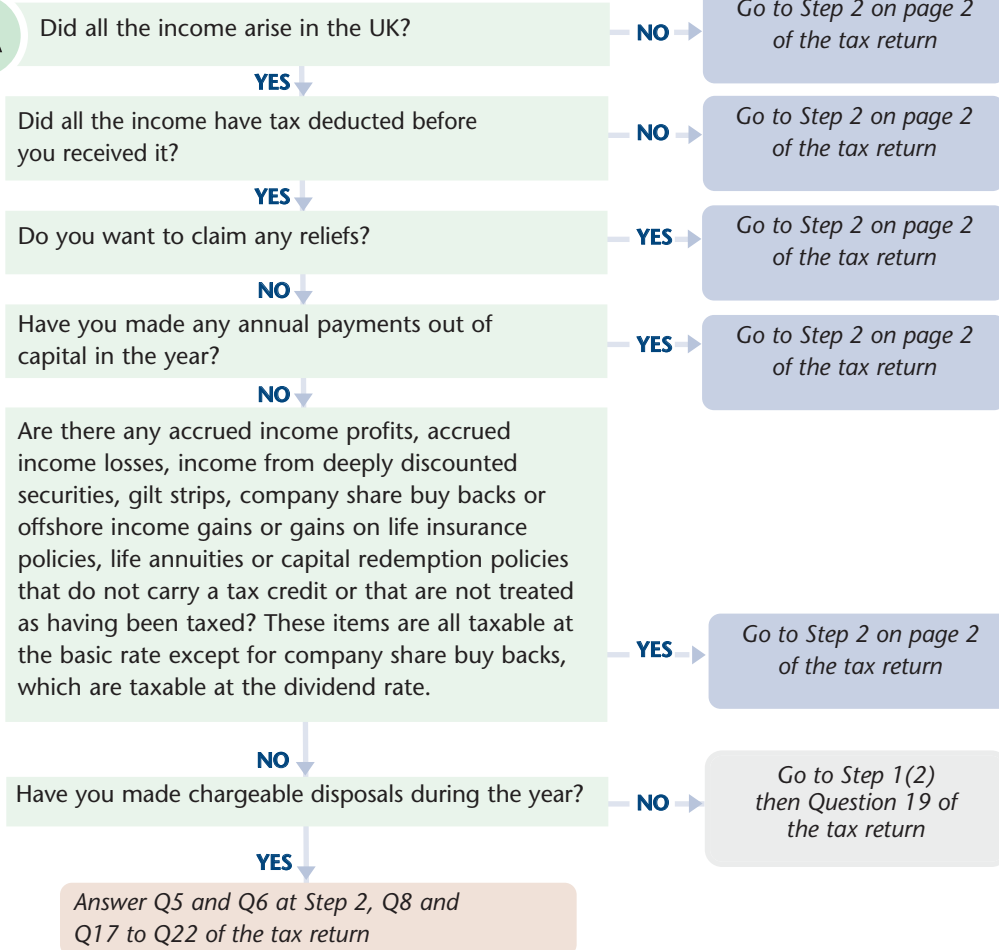
You will not need to complete the full Trust and Estate Tax Return if Step 1 on page 2 of the return applies to you. This flow chart will help you decide if it does and which Questions to complete.



Continued from page 6



**A**



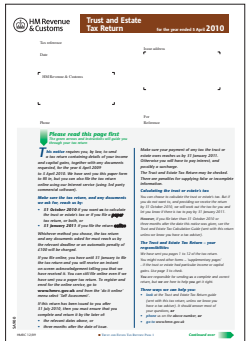
# What makes up your tax return

## Tax return

As a trustee or personal representative you must complete pages 3 to 12, as appropriate, of the Trust and Estate Tax Return if Step 1 does not apply to you.

We have included any supplementary pages we think you need after page 12 of the return. Notes to help you complete them are at the back of this guide. You must make sure you have the right ones. Ask the SA Orderline for any you need, along with their Notes.

Go to Step 2 on page 2 of the tax return next and then answer the Questions on page 3 of the tax return to find out. These notes will help.



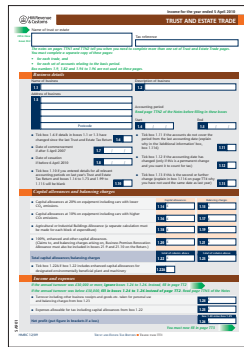
## Trade

### Q1

Fill in the Trust and Estate Trade pages if the trust or estate carried on a trade, profession, or vocation.

If it traded with someone else, in partnership, you need to fill in the Trust and Estate Partnership pages instead. (If this applies, tick the 'Yes' box in Question 2.)

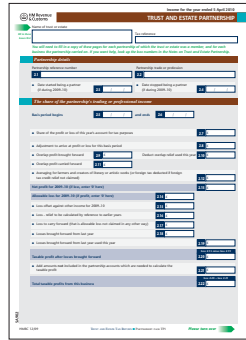
There are separate pages for the special circumstances of Lloyd's underwriters which you will have to complete if you are the personal representative of a deceased member of Lloyd's (or Name), if the member died on or before 31 December 2009.



## Partnership

### Q2

Fill in the Trust and Estate Partnership pages to give details of the trust's or estate's share of income if it carried on a trade, profession, vocation or other business, in partnership.

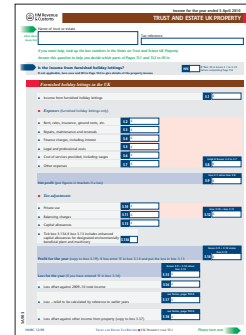


## UK Property

### Q3

Fill in the Trust and Estate UK Property pages if the trust or estate received UK income from:

- land and property, or
- furnished holiday lettings.



## Foreign

### Q4

Fill in the Trust and Estate Foreign pages if the trust or estate received in 2009–10:

- income from foreign companies, or savings institutions, **or**
- income from offshore funds or trusts abroad, **or**
- income from land and property abroad, **or**
- foreign life insurance policy, life annuity, or capital redemption policy gains.

Or if you want to claim relief for foreign tax on foreign income or gains.

## Capital gains

### Q5

Fill in the Trust and Estate Capital Gains pages if:

- the trust or estate disposed of chargeable assets worth more than £40,400, **or**
- losses are deducted and the chargeable gains made by the trust or estate before losses total more than the annual exempt amount (see below), **or**
- no losses are deducted from the chargeable gains made by the trust or estate and the taxable gains total more than the annual exempt amount (see below), **or**
- you want to claim an allowable loss, or make any other capital gains claim or election for the year.

If you are the trustee of an unauthorised unit trust, and any gains are not chargeable gains by virtue of S100(2) TCGA 1992, you do not have to fill in the Trust and Estate Capital Gains pages.

Do not complete these pages if the trust is a bare trust. Any gains must be returned by the beneficiaries on their personal tax returns.

*Helpsheet 294 Trusts and Capital Gains Tax*, available from the SA Orderline, explains the annual exempt amount for trusts. If you need further advice, please contact us.

If you have to fill in the capital gains pages you must include all your allowable losses for the year. If you do not have to fill them in, because disposal proceeds and gains were below the limits, you can still complete them **if you want to claim a capital loss**. If you do not do this, you have to claim any losses for the year ended 5 April 2010 by 31 January 2016 for them to be available to set against future gains.

An estate is entitled to the annual exempt amount equal to that of an individual (£10,100 in 2009–10) for the year in which the deceased died, and the next two years. The estate is not entitled to any annual exempt amount for a subsequent year.

In general, trustees are entitled to half the annual exempt amount for an individual.

## Non-residence

### Q6

Make sure you fill in the Trust and Estate Non-residence pages **first if, in the period 6 April 2009 to 5 April 2010, you consider the trust or estate to be any of the following:**

- not resident in the UK for Income Tax and Capital Gains Tax purposes
- resident in the UK while also resident in a country with which the UK has a Double Taxation Agreement – there is a list of agreements in the Notes for the Trust and Estate Foreign pages.

## Charities

### Q7

Fill in the Trust and Estate Charities pages if the trust is claiming total or partial exemption from tax.

## Estate pension charges etc.

### Q23

Fill in the Estate Pension Charges etc. pages if the estate:

- is liable to tax charges arising from unauthorised payments from UK registered pension schemes or overseas pension schemes, **or**
- received any of the following payments from an overseas pension scheme
  - a short service refund lump sum
  - a pension protection lump sum death benefit
  - an annuity protection lump sum death benefit, **or**
  - an unsecured pension fund lump sum death benefit.

These details are relevant only to personal representatives. Trustees do not complete the Estate Pension Charges etc. pages.

More guidance on these types of payments is at [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

# How to fill in pages 3 to 12 of the Trust and Estate Tax Return

## Basis of taxation for personal representatives

A personal representative is a person who has been appointed as either the executor or the administrator of a deceased person's estate. An executor is a person appointed to carry out the deceased's wishes as expressed in their will, while an administrator is appointed to gather in the deceased person's estate and then distribute it to the deceased's heirs in the absence of a will. In Scotland the term executor applies in both these situations.

Personal representatives are chargeable to Income Tax on the income that arises on the assets in the estate. They are chargeable to Income Tax at the basic rate only. They are not chargeable at the higher rates of tax, as these apply only to individuals. If personal representatives sell capital assets from the estate, they are liable to Capital Gains Tax at the Capital Gains Tax rate which for 2009–10 is 18%. Capital Gains Tax may also be due where capital payments or benefits are received from a non-resident, dual resident or immigrating trust. For further details see the Notes on Trust and Estate Capital Gains.

Personal representatives do not answer Questions 9A and 12 to 16 of the Trust and Estate Tax Return. Special rules apply where:

- the deceased died domiciled outside the UK, **or**
- the deceased died not resident and not ordinarily resident in the UK, **or**
- one or more of the personal representatives is/are resident outside the UK.

In such circumstances, you should complete the Trust and Estate Non-residence supplementary pages, before deciding on entries to be made on the Trust and Estate Tax Return.

### Pre-death liability

When someone dies the personal representatives will need to liaise with the deceased's HM Revenue & Customs office in order to finalise the tax liability up to the date of death. If tax has been overpaid then we will make any repayment due for all periods up to the date of death. If tax is due for any period up to the date of death the personal representatives are responsible for accounting for that tax from the estate.

## Basis of taxation for trustees

If any settlor is alive, there is a possibility that the income may be treated as that of the settlor(s) (although the trustees still have to pay tax as recipients of income); see questions 3 and 4 in the next column. The basis of taxation for trustees depends on their residence status and the type of trust.

If you think the trustees as a whole were not resident in the UK for Income Tax and Capital Gains Tax purposes, make sure you complete the Trust and Estate Non-residence pages **before** filling in the rest of the Trust and Estate Tax Return. Notes for the Trust and Estate Non-residence pages contain special rules for completing the rest of the Trust and Estate Tax Return.

Depending on the type of trust, the trustees will either be chargeable to tax:

- at the standard rates, which are the basic rate (20%) and dividend rate (10%), **or**
- at the special trust rates, which are the trust rate (40%) and the dividend trust rate (32.5%).

Any gains will be chargeable at the Capital Gains Tax rate (18%). Where the income or gains of a charitable trust are not wholly exempt from tax the trustees will be chargeable to tax at the basic rate (20%), dividend rate (10%) or Capital Gains Tax rate (18%). The special trust rates do not apply to charitable trusts.

Note: certain types of income are taxable at the special trust rates whether or not the notes that follow show that you are taxable at the basic or dividend rate only. These include items to be entered in boxes 9.29 to 9.31 and 9.37A to 9.40 described on pages 16 to 20 of this guide, box 3.22 described in the Notes on Trust and Estate UK Property pages and boxes 4.6 to 4.8 of the Trust and Estate Foreign pages. If, apart from this income, you are taxable at the basic rate only, or you are the trustee of an unauthorised unit trust, which is generally taxable at the basic rate only, you should tick box 8.15 and ignore Questions 13 to 15.

## Q8

## Basis of taxation for trustees

### Trustees: at what rate are you chargeable to Income Tax?

The questions below will help you decide at what rate you are chargeable to Income Tax. But see also notes on specific types of trusts on page 11.

- 1 Are you the trustees of an unauthorised unit trust? **NO**  **YES**

If the answer is 'No', go to the next question. If 'Yes', you are taxable at the basic rate. Tick boxes 8.4 and 8.15.

- 2 Are you completing this return solely in respect of income arising from the investment of service charges received in connection with residential properties in the UK? **NO**  **YES**

If the answer is 'No', go to the next question. If 'Yes', you are taxable at the basic rate only. Tick box 8.15.

- 3 Is the beneficiary/are all the beneficiaries absolutely entitled to the whole of the trust income as it arises? **NO**  **YES**

If the answer is 'No', go to the next question. If 'Yes', you are taxable at the basic rate only. Tick box 8.15.

- 4 Can the settlor (or the settlor's spouse or civil partner) benefit from the capital or income (other than by way of a loan of trust monies) in any circumstances whatsoever? **NO**  **YES**

If the answer is 'No', go to question 6. If 'Yes', go to the next question.

- 5 If the settlor's (or the settlor's spouse's or civil partner's) benefit is conditional on the happening of certain events, the settlor (or the settlor's spouse or civil partner) may be treated as not being entitled to benefit. The exceptions are described in *Helpsheet 270 Trusts and settlements - income treated as the settlor's available from the SA Orderline.*

Is the settlor's (or the settlor's spouse's or civil partner's) benefit dependent on any of the exceptions? **NO**  **YES**

If the answer is 'No', the trust is 'settlor-interested' and you should tick box 8.12. (But if you are the trustees of an approved Heritage Maintenance Fund and make an election, see the note on page 11.) Whether the answer is 'No' or 'Yes' go to the next question.

- 6 Do you have power to accumulate income under the terms of the trust? **NO**  **YES**

If the answer is 'No', go to question 8. If 'Yes', go to question 7.

- 7 Is/are the beneficiary/ies immediately entitled to the accumulated income either as part of the capital or as a separate fund? **NO**  **YES**

If the answer is 'No', you are taxable at the special trust rates. Tick box 8.16. If 'Yes', you are taxable at the basic rate only. Tick box 8.15.

- 8 Do you (or any other person/s) have discretion over the amount of income received by any beneficiary or beneficiaries? **NO**  **YES**

If the answer is 'No', you are taxable at the basic rate only. Tick box 8.15. If 'Yes', you are taxable at the special trust rates. Tick box 8.16.

**If you are taxable at the basic rate only** ignore Questions 13 to 15.

**If you are taxable at the special trust rates** answer all the Questions.

## How to fill in pages 3 to 12 of the Trust and Estate Tax Return - continued

### Notes on specific types of trusts

#### boxes 8.5 and 8.6

An employment related trust is a trust set up by an employer, or by, for example, another trust, for the benefit of employees.

### Basis of taxation for trustees of a Heritage Maintenance Fund

#### boxes 8.7 and 8.8

If you are the trustee of a Heritage Maintenance Fund, tick boxes 8.8 and 8.16. The trustees are taxable at the special trust rates.

If the settlor is alive and has retained an interest in the trust property, tick box 8.12. Where this is the case:

- if the Heritage Maintenance Fund has not been approved for Inheritance Tax purposes by way of a direction from HMRC Inheritance Tax, the settlor will be taxable on the trust income but the trustees remain taxable at the special trust rates, or
- if the Heritage Maintenance Fund has been approved for Inheritance Tax purposes, the settlor will be taxable on the trust income as above unless the trustees make an election for the income to be taxed on the trustees instead, in which case the settlor will not be taxable. If you intend to make such an election but have not yet done so, the settlor is taxable on the income.

### Employer Financed Retirement Benefit Scheme (EFRBS)

#### boxes 8.9 and 8.10

Tick box 8.10 if you are the trustee of an EFRBS. You must also enter the date the scheme first came into operation, if this happened in the year to 5 April 2010, in box 21.11 on page 12.

The responsible person for the scheme must notify us of the date the scheme first comes into operation and must do so by 31 January following the tax year in which it happens. A scheme comes into operation as soon as one of the following events happens:

- an employer makes a contribution to the scheme, or
- relevant benefits are provided.

The Trust and Estate Tax Return can be used to give notification of the scheme first coming into operation as long as it is submitted within the time limit. If you are using this return to give notification and you are not the responsible person you must give the name and address of that person in box 21.11 on page 12. You must still show the date in box 21.11 on page 12, if it occurred during the period covered by this return, even if the responsible person has given notification by other means.

The responsible person will be one of the trustees of the scheme, as long as that person is resident in the United Kingdom. If there are no trustees who are resident in the United Kingdom then the responsible person will be one of the persons listed below, taken in the following order:

- a person who controls the management of the scheme
- an employer who established the scheme or any person who has succeeded that employer
- an employer of employees who benefit from the scheme
- a trustee of the scheme who is not resident in the United Kingdom.

You will be liable to tax at the special trust rates, so tick box 8.16.

### Share Incentive Plans

The trustees of a Share Incentive Plan will be chargeable at the dividend trust rate on dividends from shares that have not been awarded to participants within two years of being acquired by the trustees. In the case of shares which are not readily convertible into cash this period is extended to five years. (If shares become readily convertible into cash within the five year period, the period is changed to two years beginning on the date on which they became readily convertible into cash, if that ends before the

original five year period.) The period is extended to 10 years where a company is allowed a deduction against Corporation Tax for a payment made to the trustee which is then used to acquire shares in the company. For the company to get the deduction, the shares must not be acquired from a company and at the end of 12 months from the date of acquisition the trustee must hold more than 10% of the ordinary shares in the company. Any additional tax at the dividend trust rate on dividends received during the period will be chargeable in the tax year when it becomes clear that they will not be awarded within the relevant period. Income from other sources (for example, untaxed interest) remains chargeable at the trust rate. Tick box 8.16 and enter the income in Question 9 of the return.

### Trustees who are participators in an underlying non-resident company

#### boxes 8.13 and 8.14

An underlying non-resident company is a company that would be classified as a 'close company' if it were resident in the UK. Broadly speaking, a 'close company' is one under the control of either the directors or no more than five 'participators'. A 'participator' is a person having a share or interest in the capital or income of the company.

The **gains** arising to such a company may be chargeable on resident trustees. In the case of non-resident trustees the gains may be charged on the settlor or beneficiaries. There is more information in *Helpsheet 299 Non-resident trusts and Capital Gains Tax* and *Helpsheet 301 Beneficiaries receiving capital payments from non-resident trusts and the calculation of the increase in tax charge*.

The **income** arising to such a company may be chargeable on the settlor or beneficiaries. More information can be found in the *Foreign notes* (for **individuals**) on page FN 9 under the heading 'Dividends and all other income received by a person abroad' and page FN 16 in the note for box 42.

### Trustees who are liable at the special trust rates

#### boxes 8.15 and 8.16

The first £1,000 of income, which would otherwise be chargeable at the special trust rates, is instead chargeable at the basic or dividend rate, depending on the nature of the income. This is known as the standard rate band. You should tick the 'Yes' box at 8.16 even if your income does not exceed £1,000 if you would otherwise be chargeable at the special trust rates but for the standard rate band.

### Service charges and sinking funds in respect of residential property in the UK

Tenants and owners of properties in the UK often make contributions to service charge funds or sinking funds. These funds pay for a variety of services and sometimes accumulate money for future repairs. For example, residents of a block of flats may all pay a set amount each year to cover the day to day running costs of the block, such as cleaners and minor repairs. Funds may also be put aside to pay for future major expenditure such as a roof repair.

The person receiving the contributions, such as a landlord or flat management company, often holds the funds on trust for the tenants or property owners. The funds are usually held on deposit and so the only income likely to arise is bank or building society interest. Income arising from the investment of service charges and sinking funds, which are held on trust for tenants or other owners of properties, is chargeable at the basic rate.

### Vulnerable beneficiaries

#### boxes 8.17 and 8.18

Certain trusts may qualify for special tax treatment if a beneficiary falls within the definition of a vulnerable beneficiary. For further details go to [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

## How to fill in pages 3 to 12 of the Trust and Estate Tax Return - continued

If a valid election for special tax treatment has been made, tick box 8.18 even if you do not intend to make a claim for special treatment this year.

Q9

### Did the trust or estate receive any other income not already included on the supplementary pages?

*If you do not tick the 'Yes' box, go to Question 10A.*

Otherwise, check the following lists to see whether the trust's or estate's other income should be included in the Trust and Estate Tax Return.

#### Exclude:

- Premium Bond, National Lottery and gambling prizes
- interest and terminal bonuses under Save As You Earn schemes
- accumulated interest on National Savings & Investments Certificates, including index-linked certificates
- interest on National Savings & Investments Children's Bonus Bonds
- interest awarded by a UK court as part of an award of damages for personal injury or death
- dividends on ordinary shares in a Venture Capital Trust
- if you are the trustee of an interest in possession trust, untaxed income which you have mandated to the beneficiary(ies)
- income from certain government securities in an interest in possession trust where the beneficiary is not ordinarily resident in the UK.

#### Include:

- interest and alternative finance receipts from UK banks or building societies and from UK Internet accounts
- interest from savings held at an overseas branch of a UK bank or building society
- income or distributions from UK authorised unit trusts, UK open-ended investment companies and investment trusts
- income from National Savings & Investments, including First Option Bonds and Fixed Rate Savings Bonds
- other savings income, including accrued income profits on disposal of securities, annuities and deeply discounted securities
- any other income not included on supplementary pages (see page 18)
- income from estates, where that income has been passed to the trustees of discretionary or accumulation trusts.

If the trust or estate has:

- received cash as a result of a merger of two or more building societies, **or**
- received cash, or been issued with shares, or received both cash and shares, as a result of either
  - a conversion of a building society to a company, **or**
  - a takeover of a building society by a company,

there may be liability to either Income Tax or Capital Gains Tax. The building society may be able to tell you whether there is any tax liability. If not, you should ask us or your tax adviser.

If the trust or estate has received cash, then:

- if the payment is liable to Income Tax (which is likely if it was received following a building society merger) you should enter it in boxes 9.12 to 9.14 in the Trust and Estate Tax Return. If you are not sure whether the amount is liable to Income Tax include it in boxes 9.32 to 9.34, then tick box 21.5 on page 12 of the Trust and Estate Tax Return and give full details of the payment in the 'Additional information' box, box 21.11
- if the payment is liable to Capital Gains Tax (which is likely if it was received following a conversion or takeover of a building society), you should calculate the gain and add it to any other chargeable gains for the year. Use your total gains and your total proceeds when deciding whether you need to fill in the Trust and Estate Capital Gains pages. (See Question 5 on page 3 of the Trust and Estate Tax Return.)

If the trust or estate received shares following a building society takeover or conversion, then you may need to supply details when you dispose of those shares. Please ask us for details.

If the trust or estate income is in the list of inclusions for this question, tick the 'Yes' box and fill in the relevant boxes in the Trust and Estate Tax Return. If not, go to Question 10A.

### Filling in boxes 9.1 to 9.40

First, collect the information you might need. For example:

- dividend vouchers (or electronic equivalents)
- interest statements or tax deduction certificates (or electronic equivalents)
- trust vouchers. If the trust or estate is entitled to income of a trust (other than a discretionary trust) the trustee should provide you with a voucher identifying the various sources of income to which you are entitled.

Then, use the following notes to help you fill in the boxes. They ask for totals. You can use page 28 of this guide to list individual accounts and add them up.

#### Interest and alternative finance receipts

##### What to do if there is more than one source of interest or alternative finance receipts to go in a particular box

Add together, for example, interest paid (with tax taken off) by the bank and building society and put total figures in boxes 9.2 to 9.4. Keep details of the separate accounts in case we ask for these later. Use the Working Sheet on page 13 to help you.

- Interest and alternative finance receipts from UK banks and building societies

Boxes 9.1 to 9.14 cover interest and alternative finance receipts from savings with banks and building societies. There is more information at [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

##### Interest and alternative finance receipts received without tax taken off

#### box 9.1

The bank or building society statement will show you the interest or alternative finance receipt received without tax taken off (gross). Add up all the amounts received during 2009–10 from all accounts and enter the total in box 9.1.

National Savings & Investments interest should not be included here but in box 9.8.

If the trust sells or transfers the right to income from 22 April 2009 onwards without disposing of the asset from which the income arises, the consideration that is receivable in return for the transfer is treated as trust income. Include it in the box in which the income would have been entered had it not been transferred. If the market value of the right is substantially greater than the consideration that is receivable, then the market value of the right (rather than the consideration) is treated as trust income. If this is the case, include the market value of the right in the box in which the income would have been entered had it not been transferred.

##### Interest and alternative finance receipts received after tax has been taken off

#### boxes 9.2 to 9.4

Interest and alternative finance receipts are generally paid after tax is taken off. The bank or building society statement or pass book will usually show the amount of interest or alternative finance receipt after tax (sometimes described as net interest or net alternative finance receipt), the amount of tax taken off, and the amount of interest or alternative finance receipt before tax taken off (gross interest or gross alternative finance receipts).



## How to fill in pages 3 to 12 of the Trust and Estate Tax Return - continued

### • Other taxed UK interest distributions

#### boxes 9.5 to 9.7

The information you need to complete these boxes will be shown on the trust or estate's tax voucher. The voucher will show the total interest distribution before the tax is taken off (gross interest), the tax taken off and the amount of the interest distribution paid after tax has been taken off (net interest). It may have accumulation units or shares, that is, the interest distribution is automatically reinvested in the unit trust or open-ended investment company. If so, you must still show the total interest distribution before tax, the tax taken off and the amount of the interest distribution after tax has been taken off.

If you do not have a tax voucher (which may have been provided to you in electronic format), ask the unit trust or open-ended investment company manager for one.

**If you have received an interest distribution without tax being deducted, you should include the total interest distribution in box 9.7 and enter '0' in box 9.6.**

Do not enter here any amount shown on the tax voucher as 'equalisation'. This amount, if shown, is a repayment of capital paid and is not subject to tax. In calculating capital gains, the amount of equalisation should be deducted from the cost of the units or shares purchased during the year.

**Do not include dividend distributions from UK authorised unit trusts, OEICs or investment trusts in boxes 9.5 to 9.7. They go in boxes 9.18 to 9.20.**

### • National Savings & Investments

#### box 9.8

Enter in box 9.8 the total amount from the following:

- Easy Access Savings Account (EASA)
- Investment account
- Income bonds
- Capital bonds (enter the interest added in the year to the capital bonds as shown on your statement)
- Pensioners' Guaranteed Income Bonds.

- National Savings & Investments First Option Bonds and Fixed Rate Savings Bonds

#### boxes 9.9 to 9.11

This interest is received after tax has been taken off. Enter in boxes 9.9 to 9.11:

- the total interest received after tax taken off
- the total tax taken off
- the total interest received before tax was taken off.

- Other income from UK savings and investments

#### boxes 9.12 to 9.14

Include totals of the following items of income in boxes 9.12 to 9.14. Keep details in case we ask for further information later.

#### Interest not included in boxes 9.1 to 9.11

Include in boxes 9.12 to 9.14 any interest received which is not included in boxes 9.1 to 9.11. For example:

- from certificates of tax deposit when the certificate is applied in payment of a tax liability
- on government stocks (gilts), including those bought through the National Savings & Investments Stock Register
- on other loan stocks
- on loans to an individual or organisation
- from credit unions and friendly societies
- interest from Enterprise Zone Trusts (the rents should be included in the Trust and Estate UK Property pages)

- interest from securities where Accrued Income Scheme losses are available (see note on page 20).

Depending on the nature of the interest, it may be paid without tax taken off (gross), or after tax taken off (net).

If **no tax has been taken off**, enter the interest received in box 9.12 and box 9.14, leave box 9.13 blank.

If **tax has been taken off**, fill in all the boxes. Make sure the figure in box 9.14 includes the tax taken off.

#### Purchased life annuities

Income from a purchased life annuity should be included in boxes 9.12 to 9.14. Income will only be part of the payment received – check the payment certificate. Do not put the rest of the payment on the return. Income will usually be received from a purchased life annuity after the payer has taken tax off.

A purchased life annuity is not a retirement annuity, nor the result of contributions made to a personal pension plan. All other annuities, including annuities under personal pension schemes, retirement annuity contracts or retirement annuity trust schemes, should be entered in boxes 9.32 to 9.34.

#### ■ Dividends

Dividends including stock dividends, dividend distributions and qualifying distributions carry a tax credit which cannot be repaid:

- if the trust pays tax only at the basic rate, the tax credit at the dividend rate meets the tax bill on the distribution
- if the trust pays tax at the special trust rates, the total of the dividend and the tax credit is taxed at the dividend trust rate (32.5%) and the tax credit is treated as tax already set against this.

As personal representatives only pay tax at the basic rate, the tax credit meets the liability and there is no more tax to pay.

- Dividends and other qualifying distributions from UK companies

#### Dividends received by trustees of unauthorised unit trusts

Since 6 April 1999 the trustees of an unauthorised unit trust have not been entitled to a tax credit where they receive a dividend or other qualifying distribution from a UK company (including a dividend distribution received from a UK authorised unit trust or open-ended investment company). This means that the measure of the trustees' income for Income Tax purposes will be the amount of dividend received. Trustees should not make any entries in boxes 9.15 to 9.23 but the notes to those boxes will help in determining what is to go instead in boxes 9.24 and 9.25.

#### boxes 9.15 to 9.17

#### Dividends

**Do not include distributions from the tax exempt profits of a UK Real Estate Investment Trust ('UK REIT') or a Property Authorised Investment Fund ('PAIF') (such distributions are known as Property Income Distributions, or PIDs, and are normally paid under deduction of Income Tax). Use boxes 9.32 to 9.34 instead.**

The dividend voucher shows the amount of the dividend and the tax credit. Add these together to get 'dividend/distribution plus credit' in box 9.17.

If the trustees of a will trust have received any dividend income in the year from the personal representatives distributing the income that arose during the administration period, they should enter the dividends in boxes 9.15 to 9.17. This income will be chargeable on the trustees at the dividend trust rate (32.5%). Do not include stock dividends here. These go in boxes 9.21 to 9.23.

## How to fill in pages 3 to 12 of the Trust and Estate Tax Return - continued

### Other qualifying distributions

A company makes a distribution when it passes value to a shareholder, for example:

- by selling an asset to a shareholder at less than market value, or
- by paying interest at more than a commercial rate on a loan.

Non-qualifying distributions are defined in the column aside and should be put in boxes 9.26 to 9.28. Other distributions are 'qualifying'.

Enter the amounts in boxes 9.15 to 9.17. Please give details in the 'Additional information' box, box 21.11 on page 12 of the Trust and Estate Tax Return, explaining the circumstances in which the distribution arose.

### Transfer of the right to income

If the trust sells or transfers the right to dividends before 22 April but does not dispose of the underlying security, that transferred income is treated as trust income and details should be entered in boxes 9.15 to 9.17.

If the trust sells or transfers the right to income from 22 April 2009 onwards without disposing of the asset from which the income arises, the consideration that is receivable in return for the transfer is treated as trust income. Include it in the box in which the income would have been entered had it not been transferred. If the market value of the right is substantially greater than the consideration that is receivable, then the market value of the right (rather than the consideration) is treated as trust income. If this is the case, include the market value of the right in the box in which the income would have been entered had it not been transferred.

- Dividend distributions from UK authorised unit trusts and open-ended investment companies

### boxes 9.18 to 9.20

The dividend voucher shows the amount of the dividend and the tax credit. Add these together to get 'dividend/distribution plus credit' in box 9.20.

If the trust or estate has accumulation units or shares the dividend is automatically reinvested in the unit trust or open-ended investment company. You must still show the amount of the dividend, tax credit and dividend/distribution plus credit.

**If you do not have a dividend voucher**, ask the unit trust or open-ended investment company manager for one.

Do not enter here any amount shown on the dividend voucher as 'equalisation'. This amount, if shown, is a repayment of capital and is not subject to tax. In calculating the capital gains, the amount of equalisation should be deducted from the cost of the units or shares purchased during the year.

- Stock dividends from UK companies

### boxes 9.21 to 9.23

**If the trust or estate took up an offer of shares in place of a cash dividend**, this is a 'stock' dividend.

The dividend statement should have 'the appropriate amount in cash' or 'the cash equivalent of the share capital' on it - this is the amount you should enter in the dividend box. Ask the company for a statement if you have not already got one. If you have any doubts about what to include, contact us or your tax adviser.

Trustees of an unauthorised unit trust should enter this amount in box 9.25 and should not make any entries in boxes 9.21 to 9.23.

Enter in box 9.21 the appropriate amount in cash/cash equivalent of the share capital. Enter in box 9.22 the notional tax (this is  $\frac{1}{9}$  of the appropriate amount in cash/cash equivalent of the share capital). Add together the figures in boxes 9.21 and 9.22 and enter the total in box 9.23.

- Dividends and other qualifying distributions received by unauthorised unit trusts

### box 9.24

Enter in box 9.24 the total of the actual amount of dividends (and other qualifying distributions) received on or after 6 April 2009 from UK companies including dividends from authorised unit trusts and open-ended investment companies. Do not add on the amount of the tax credit shown on the dividend voucher.

- Stock dividends received by unauthorised unit trusts

### box 9.25

Enter in box 9.25 the 'appropriate amount in cash/cash equivalent of the share capital' following the notes to boxes 9.21 to 9.23.

- Non-qualifying distributions and loans written off

### boxes 9.26 to 9.28

A non-qualifying distribution is:

- a bonus issue by a company of securities or **redeemable** shares (except a bonus issue giving rise to a qualifying distribution), **or**
- the paying on of such a bonus issue by a company which has itself received it.

If the trust or estate receives such a bonus issue of securities or redeemable shares, the amount of the distribution is:

- for redeemable shares, their nominal value plus any premium payable
- for securities, the amount of the principal secured plus any premium payable

*minus* any new consideration given for that issue.

The trustees of an unauthorised unit trust should calculate the amount of the non-qualifying distribution and include that amount in box 9.25 along with any stock dividends. The remaining notes in the section do not apply to unauthorised unit trusts. Enter in the 'Additional information' box, box 21.11 on page 12 of the Trust and Estate Tax Return, any relevant information about how the amount in box 9.25 is calculated.

If the trust pays tax **only at the basic rate**, there is no more tax to pay on the distribution.

Since estates pay tax only at the basic rate, the tax credit meets the liability.

If the trust pays tax **at the special trust rates** an amount of dividend rate tax is treated as already paid and is set against the tax bill.

Enter the amount of the distribution in box 9.28. Multiply box 9.28 by 10% to arrive at the dividend rate tax which is treated as paid by you. Enter that amount in box 9.27 and in box 9.26 the difference between boxes 9.28 and 9.27.

Where a **loan or an advance**, made by a close company to a participator or associate, is wholly or partly released or written off, the amount released or written off plus the notional tax (this is  $\frac{1}{9}$  of the amount released or written off) is treated as income. If the loan or advance was made to a person who has since died, the income is treated as that of the person from whom the debt is due at the time of release or writing off. (If it is due from the person as personal representative, the amount treated as received by them is included in the income of the estate.)

Include in box 9.26 the amount of the loan released or written off. Multiply this figure by  $\frac{1}{9}$  and put the result in box 9.27.

Add together the figures in boxes 9.26 and 9.27 and put the result in box 9.28.

If you do not know what to include, contact us or your tax adviser.

### ■ *Gains on UK life insurance policies, life annuities and capital redemption policies*

#### boxes 9.29 to 9.31

These boxes are only for gains from life insurance policies, life annuities and capital redemption policies taken out with a UK life insurance company, the UK branch of an overseas insurer or a UK friendly society.

Gains from foreign policies do not go in these boxes. See 'Is your policy a 'foreign policy'?' below for more guidance. Include details of gains on foreign policies on the Trust and Estate Foreign pages, available from the SA Orderline or [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

In these notes, 'gains' are chargeable event gains which are taxable as income. Insurers sometimes call these 'chargeable gains' but they are **not** capital gains so capital losses and other reliefs allowable in calculating capital gains cannot be set against them. This means that chargeable event gains should not be included on the Trust and Estate Capital Gains pages. **The purpose of these notes is to help you decide whether there is a gain and, if so, what to include in the return.**

#### *Have you received a certificate reporting a gain on a chargeable event?*

UK insurers are required by law to issue a certificate if they know a gain has been made on a life insurance policy, life annuity or capital redemption policy. In most cases therefore, if a gain has arisen, you will have received in your capacity as a personal representative or a trustee a certificate from the insurer reporting the gain. If you have received a certificate from the insurer, read the sections headed 'Personal representatives' and 'Trustees including trustees of charitable trusts' as appropriate. Follow the instructions in those sections and in the section headed 'Completion of boxes 9.29 to 9.31'.

If you have not received a certificate but during the year any of the following applied in connection with a UK life insurance policy, life annuity or capital redemption policy held by the trust or estate then a gain may still have arisen:

- cash or other benefits were received from the policy or life annuity by part-withdrawal or on a surrender, maturity or death
- the whole or part of the policy or life annuity was sold
- a loan was made to you or, at your direction, to someone else, either by the insurer or by arrangement with the insurer
- the policy or life annuity was a Personal Portfolio Bond in the year (even if the insurer has not paid cash or other benefits during the year in connection with that bond).

A certificate may not have been received for a number of reasons. The insurer may not have an up-to-date address, or the insurer does not know about the event giving rise to the gain or fails to recognise that a gain has arisen. For instance, the policy may have been assigned to someone else, or the insured person may have died, and the insurer has not been informed.

If this may have happened, you should ask your insurer to tell you what sort of policy or annuity is held on trust or in the estate and whether there has been a chargeable event and a gain. If so, you should also ask for a copy of the chargeable event certificate.

#### *Is your policy a 'foreign policy'?*

You may not have received a chargeable event certificate because the policy is a foreign policy taken out before 6 April 2000. A foreign policy is normally one issued by an insurer from outside the UK. Gains on foreign policies go on the Trust and Estate Foreign pages available from the SA Orderline and at [www.hmrc.gov.uk](http://www.hmrc.gov.uk) (See the notes on boxes 4.6 to 4.8 of the Foreign pages and *Helpsheet 321 Gains on foreign life insurance policies.*)

A UK insurer may also issue a foreign policy as part of its 'Overseas Life Assurance Business'. This is a type of policy sold by a UK insurer to a person who, at the time it was taken out, was residing outside the UK. If the policy was taken out **on or after 17 March 1998**, gains from this type of policy go on the Foreign pages.

Gains from Overseas Life Assurance Business policies which were taken out before 17 March 1998 are not treated as arising from foreign policies and should be entered in boxes 9.29 to 9.31 according to this guidance. If you think a gain might have been made on one of these policies taken out before 17 March 1998, but you have not received a certificate, contact your insurer.

#### *General guidance for trustees and personal representatives*

*Helpsheet 320 Gains on UK life insurance policies* contains more information and general guidance about how gains are taxed. In addition, it explains how the rules apply to a trust created by more than one person, says more about 'enhancements' and explains about the taxation of Personal Portfolio Bonds.

Not all payments from, or assignments of, life insurance policies or other insurance contracts give rise to gains. In particular (but not exclusively), there is likely to be no gain where:

- a payment has been received under a mortgage endowment policy or a Friendly Society tax-exempt policy which has run for more than ten years, **or**
- a payment has been received under a policy for which a single premium was paid and the payment received is 5% or less of the premium, **or**
- all or part of the policy has been gifted to someone else.

Pension annuities also do not give rise to gains.

#### *Does the gain need to be included on the Trust and Estate Tax Return?*

A gain may be taxable on some person other than the trustees or the personal representatives. To determine whether a gain reported by a certificate from the insurer needs to be included on the Trust and Estate Tax Return go to the section headed 'Personal representatives' or the section headed 'Trustees including trustees of charitable trusts' as appropriate.

#### *Personal representatives*

Many policies and life annuities terminate as a result of the death of their beneficial owner. If so, the gain is treated as income of the deceased arising immediately before death. If a policy is held in a trust created by the deceased or to which the deceased contributed, the gain arising on death is also treated as the deceased's income arising immediately before the death. This is also the case where the policy which is held in trust continues to run after death and is surrendered or matures after death but **before** the start of the next tax year on the following 6 April.

But where the life insurance policy, life annuity or capital redemption policy:

- continues to run after death, **and**
- is not held in trust,

any gain arising in connection with the continuing policy or annuity when it matures, is surrendered or sold, is treated as income of the estate.

The personal representatives only have to enter details of the gain in the return when the gain has no tax treated as paid on it. With UK policies this will be the case if:

- the personal representatives have sold or surrendered part or all of a tax-exempt policy sold by a friendly society, **or**
- such a policy has matured and, exceptionally, given rise to a gain, **or**

## How to fill in pages 3 to 12 of the Trust and Estate Tax Return - continued

- the personal representatives have sold or surrendered part or all of certain UK life annuity contracts, **or**
- the personal representatives have agreed to commute future annuity payments in return for a lump sum

while the policy or contract was an asset of the estate. The chargeable event certificate will confirm that no tax has been treated as paid. Enter the details in box 9.29.

Gains on all other UK life insurance policies, capital redemption policies and life annuities are treated as if tax at the basic rate has been paid on them. Personal representatives therefore have no further liability to tax on such gains and they should not enter any amount in respect of them in boxes 9.30 and 9.31.

Gains on foreign insurance policies and contracts go in boxes 4.6 to 4.8 of the Trust and Estate Foreign pages. For more guidance see the notes on the Foreign pages and *Helpsheet 321 Gains on foreign life insurance policies*.

### Trustees including trustees of charitable trusts

If the rights under a policy or life annuity are held in trust, any gain is usually treated as income of the person who created the trust, not of the trust itself. **If this is the case, you should send copies of any chargeable event certificates reporting the gain to this person.** If the trust is a charity, however, then any gain is treated as income of the trustees of the charity and boxes 9.29 to 9.31 should be completed in accordance with the guidance in the section below headed 'Completion of boxes 9.29 to 9.31'. Such gains are taxable on the trustees at the basic rate.

The gain is deemed to be income of the trustees of a trust, which is resident in the UK and is not a charity, if the trust or trusts were created by:

- an individual who is not resident in the UK, **or**
- an individual who was deceased at the time of the chargeable event unless the gain arose before the end of the year of assessment in which the creator of the trust died, in which case it is treated as income of the deceased, **or**
- a company or other entity that is non-resident, has been dissolved, wound up or has otherwise come to an end, **or**
- a body or person other than an individual, such as another trust (but only if the policy was taken out on or after 9 April 2003).

This rule also applies where the rights under a policy or life annuity are held as security for a debt owed by UK trustees. Where a gain is treated as income of UK trustees, and the trust is not a charity, it is taxable at the trust rate. Trustees should not, however, return gains on the Trust and Estate Tax Return in the following two situations.

The first situation is where the trust is a bare trust. A gain on a policy or life annuity held in a bare trust is treated as income of the beneficiary of the trust. It should be included in the pages of the beneficiary's tax return for chargeable event gains – in the *Additional information* pages, other UK income boxes, boxes 4 to 7 on page Ai 1 for UK policies and life annuities. **You should send a copy of any certificates which you have received reporting such gains to the relevant beneficiary.**

The second situation is where:

- the policy or life annuity was taken out before 17 March 1998, **and**
- it has not been 'enhanced' on or after 17 March 1998 by paying additional premiums or in any other way, **and**
- the trust or trusts were created by an individual who died before 17 March 1998, or if created by more than one person, at least one of those persons was an individual who died before this date.

In these circumstances, neither the trustees nor the creators of the trust are liable for tax on the gain.

### Completion of boxes 9.29 to 9.31

The completion of these boxes will be assisted by information shown on the chargeable event certificates reporting the gains which are treated as income of the personal representatives and trustees, including trustees of charitable trusts. Apart from when there has been a sale or assignment, the certificate will show the following information:

- the policy details
- the type of event giving rise to the gain and the date when it occurred
- the amount of the gain
- whether basic rate tax is treated as paid on the gain and, if so, how much
- the number of years either since the policy was taken out or since the last event, whichever is the less (although this information is not relevant for the tax liabilities of personal representatives and trustees).

In some cases, the insurer may have sent you more than one certificate relating to a particular gain, with the later certificate showing a revised figure of benefits paid or amount of chargeable gain. In this case, you should use the details on that later certificate.

You should first make sure that the gain is taxable in 2009–10. The certificate may show one date relating to the event giving rise to the gain or it may include two dates. If the certificate only shows one date then this is the date of the event. If this falls in the year ended 5 April 2010 then the gain must be entered in the tax return for 2009–10. If the certificate shows two dates relating to the event then only enter the gain on the tax return for 2009–10 if the later of these dates falls in the year ended 5 April 2010. This later date is the final day of an 'insurance year' in which the event occurred. An 'insurance year' (which may also be referred to as 'policy year') is usually a 12-month period beginning on the anniversary of the date on which the policy was taken out. For instance, a policy taken out on 1 July 1998 would have an insurance year ending on 30 June 2009. If, using the same policy example, you made a part surrender on 31 January 2010, the certificate would show both the date of the part surrender, 31 January 2010, and the end of the insurance year, 30 June 2010. The gain would go on **next year's** tax return for 2010–11, not this one, because 30 June 2010 falls in the 2010–11 tax year.

If the event is other than a sale or assignment for money or money's worth then the certificate will also show the gain and any basic rate tax treated as paid.

Personal representatives and trustees should enter in box 9.29 the total gains treated as their income if the certificate does not show any tax treated as paid.

Trustees should enter the total gains treated as their income that **are** treated as having been taxed in box 9.31 and the tax treated as paid in box 9.30. The tax treated as paid is 20% of the amount in box 9.31. Personal representatives should not make any entry in boxes 9.30 and 9.31.

If the event is a sale or assignment for money or money's worth then the certificate will show the same information as for other events apart from the amounts of the gain and the tax treated as paid. It will show:

- whether (but not how much) tax is treated as paid on the gain
- the total previous gains, if any
- the premiums or consideration paid
- the amount of previous capital payments (or relevant capital payments), if any
- the value of parts previously assigned, if any, **and**
- for purchased life annuities, the capital elements paid on account of the annuity.

## How to fill in pages 3 to 12 of the Trust and Estate Tax Return - continued

Using this information and the value received for disposing of the policy, you can calculate the gain and tax treated as paid. *Helpsheet 320 Gains on UK life insurance policies* gives you help with the calculation in Example 3. It is available from the SA Orderline and at [www.hmrc.gov.uk](http://www.hmrc.gov.uk) Boxes 9.29 to 9.31 should then be completed as above.

### Multiple gains

If, in your capacity as personal representative or trustee, there is more than one gain to include on the Trust and Estate Tax Return, add together the amounts of the gains and any tax treated as paid and enter the totals for each in boxes 9.29 to 9.31, as appropriate, according to the guidance above.

### Other income

There are many types of transaction which produce taxable income. Examples include:

- dividends from the tax exempt profits of a UK Real Estate Investment Trust or Property Authorised Investment Fund (PAIF)
- all casual earnings not declared elsewhere on the Trust and Estate Tax Return, including 'one off' freelance income
- receipts under covenants entered into for genuine commercial reasons which are in connection with the payer's trade, profession or vocation
- profits from isolated literary or artistic activities
- rental from leasing equipment the trust or estate owns
- Accrued Income Scheme profits on the transfer of securities (trustees only)
- underwriting or sub-underwriting commissions
- income received after interest in a business has ceased, or received following a change in the basis on which the profits of that business are calculated. This applies only if the income would not otherwise have been taken into account for tax purposes during the life of the business - for examples see 'Post cessation and similar business receipts' in the next column
- any recoveries of expenses or debts for which you claimed relief as a post cessation expense
- sale of patent rights if a capital sum was received
- annual payments received in the year including annual payments received from UK unauthorised unit trusts, and annual payments paid by former employers which do not constitute the payment of a pension
- income from an estate in administration distributed to trustees of an accumulation or discretionary trust by the personal representatives.

**The income or losses from transactions relating to an activity which amounts to a trade should be included in the Trust and Estate Trade pages, Partnership pages, or UK Property pages (furnished holiday lettings) as appropriate.** If this income does not arise in the course of a trade, profession or vocation, it should be included in boxes 9.32 to 9.40. Contact us if you are in any doubt about this.

- Other income

**boxes 9.32 to 9.40** Keep a record of the separate items of income, and any relevant expenses relating to each item (see notes below), in case you are asked for details later. *Helpsheet 325 Other taxable income* has a Working Sheet you can use to arrive at aggregate figures to put in the boxes if the trust or estate had more than one type of 'other income'. You can only set losses of the year against certain types of 'other income' - see the note on losses on page 19 and *Helpsheet 325* if you need it. If the trust or estate only had one type of 'other income' during the year, follow the instructions below. Otherwise, ask the SA Orderline or go to [www.hmrc.gov.uk](http://www.hmrc.gov.uk) for *Helpsheet 325 Other taxable income* and complete the Working Sheet.

### Trustees

Where a will sets up a continuing trust, either during or at the end of the administration period, the personal representatives will distribute the income which arose during the administration to the trustees of that trust. This income has been taxed in the hands of the personal representatives. If the trustees of a discretionary or accumulation trust have received any such income in the year they should enter:

- dividend type income in boxes 9.15 to 9.17
- interest and other savings type income in boxes 9.12 to 9.14
- all other income in boxes 9.32 to 9.34.

**box 9.32** Enter the amount of income after any tax taken off, and after any allowable expenses or capital allowances for this year.

If overall there was a loss for the year enter '0'. There are notes below about expenses, losses and some types of income.

**box 9.33** Enter the amount of any tax taken off the payments received.

**box 9.34** Enter in box 9.34 the amount of income before any tax was taken off, but after any allowable expenses or capital allowances for the year (box 9.32 plus box 9.33). If the result is a loss, it can be set against income in a future year – see the notes on 'Losses' – and enter it in box 9.37. If you have more than one source of 'other' income you should deduct any loss made in the year that can be set off against other types of income (see *Helpsheet 325*) and enter the net amount in box 9.34.

### Cashbacks

You may have to pay tax if the trust or estate has, as an incentive to take out a mortgage or to purchase an asset:

- received cash, **or**
- received an asset, **or**
- had any liabilities waived or paid for.

You may be taxable on the amount or value of what it received, or had waived or paid.

The payer of the incentive may be able to tell you whether there is any tax liability. If not, you should ask us or your tax adviser.

If the amount is liable to Income Tax (which is likely only where the cashback consists of payments receivable in more than one year), enter it in box 9.34. (If you are not sure whether the amount is liable to Income Tax, include it in box 9.34 and give full details of the cashback in the 'Additional information' box, box 21.11 on page 12 of the Trust and Estate Tax Return).

### Post cessation and similar business receipts

Include any income received from a business in which the trust or estate's involvement has ceased. If the basis on which the profits of a business are calculated has changed, include here any receipts which, as a result of that change, would not otherwise be taken into account for tax purposes during the life of the business.

Examples include:

- money recovered from a bad debt which had been written off in the business accounts
- royalties arising after the business ceased from contracts made before it ceased
- receipts relating to work completed before the basis on which profits are calculated changed from a cash to an earnings basis.

There are two ways of dealing with this. Either you enter the total in box 9.34 or, alternatively, you can claim to have the income taxed as income of the year in which the business ceased. If you wish to do this do not use box 9.34. Instead, enter the amount and the year in which the business ceased in the 'Additional information' box, box 21.11 on page 12 of the Trust and Estate Tax Return.

## How to fill in pages 3 to 12 of the Trust and Estate Tax Return - continued

If you think you may be entitled to claim relief for post cessation expenses please contact us.

Where the income relates to a discontinued business, the amount to be included in boxes 9.32 and 9.34 is net of:

- losses and expenses, not arising from the discontinuance itself, which would have been allowable had the business continued
- any unused losses and unused capital allowances of the discontinued business
- any such expenses brought forward from earlier years which have not previously been relieved against post cessation receipts.

Where the receipts arise from a change in the basis on which the profits of a business are calculated, the amount to be included in boxes 9.32 and 9.34 is net of any expenses not otherwise allowed which would have been deductible but for the change.

### Expenses

The amount of taxable income is the gross income the trust or estate is entitled to (whether or not received) in the tax year *minus* allowable expenses incurred in that year. Allowable expenses are those which:

- had to be spent solely to earn the income
- were not spent for private or personal reasons
- were not spent to buy something which the trust or estate intends to keep for a while (such as a computer). But you may be able to claim capital allowances for this expense. Ask us for help, if you need it.

You cannot set expenses against annual payments.

For guidance on expenses which are allowable in arriving at the taxable amount of receipts from a discontinued business, or arising from a change in the basis on which business profits are calculated, please read the notes on 'Post cessation and similar business receipts' on page 18 of this guide.

### Losses

If the allowable expenses are more than the receipts the trust or estate has suffered a loss. Some, but not all, losses can be set against some types of income from other transactions in the 'other income' category.

If there is no such income this year, losses can be carried forward and set against similar income in future years.

You cannot set losses against annual payments.

If you are in any doubt about which losses you can claim or how to claim them, ask us or your tax adviser.

#### box 9.35

Enter any unused allowable losses brought forward from earlier years.

#### box 9.36

Enter the amount of any loss brought forward which can be set against the income in box 9.34. Include only the amount up to the amount of that income. You cannot set losses against all categories of other income, for example, you cannot set losses against annual payments - see the notes below.

#### box 9.37

Enter the amount of any loss for the year which you are claiming to carry forward to a later year.

### Deemed income

There are certain items that are treated as income for tax purposes. These include:

- profits on the disposal of deeply discounted securities
- profits under the Accrued Income Scheme
- disposals of futures and options
- sales of foreign dividend coupons

- chargeable events in respect of employee share ownership trusts (trustees only)
- offshore income gains
- transactions in deposit rights
- certain transactions in land.

Trustees, other than trustees of unauthorised unit trusts, are taxable at the trust rate on their deemed income, even if they are not normally liable at this rate. Trustees of unauthorised unit trusts are not chargeable at the trust rate on deemed income and should include deemed income in box 9.34.

Personal representatives are chargeable at the basic rate on deeply discounted securities, gilt strips, Accrued Income Scheme profits and the other types of deemed income listed above.

### box 9.37A

#### Deeply discounted securities

Deeply discounted securities have replaced those types of securities previously termed deep discount bonds and deep gain securities. Broadly these are securities where the investor's return is mainly made up of a discount or premium payable on redemption of the bond rather than by interest payable over the life of the bond.

The discount or premium is the difference between the price at which the bond was issued and the amount payable on redemption.

The discount or premium must be capable of being more than:

- 15% of the redemption price, or, if smaller
- 0.5% of the redemption price for each year of the bond's life (for example, in the case of a 10 year bond any discount of 5% or more would mean it was a discounted bond).

A security with an uncertain yield, for example, linked to the Retail Prices Index, will usually be a deeply discounted security.

A security **fully** linked to the value of assets which would be chargeable assets under the Capital Gains Tax rules (for example, a security whose yield is fully linked to the FTSE index, and gives no guaranteed minimum return on your investment) will not normally be a deeply discounted security. If the trust or estate had a deeply discounted security, you will generally be taxable only when you dispose of the security in any way or it is redeemed at that time. You will be taxable on the difference between the amount paid for the security and the amount received when you redeemed or sold it. Tax is not deducted from the payment.

Personal representatives and trustees, except trustees of an unauthorised unit trust, should include the gross amount of the discount in box 9.37A. Trustees of an unauthorised unit trust should include that income in box 9.34 instead.

#### Gilt strips and strips of non-UK government securities

These are deeply discounted securities. In contrast to the usual rules there is a charge on the discount each year even if the securities were not disposed of during the year. The discount charge is worked out by comparing the published market values of the strips on 5 April with their published market values a year earlier, or with the price paid for them if bought during the year. (This is achieved by deeming a disposal of the strips on 5 April and a re-acquisition on 6 April, both the deemed disposal and deemed re-acquisition taking place at their market value on 5 April). Since 15 January 2004 market value means the published market price.

Personal representatives and trustees, except trustees of an unauthorised unit trust, should enter the discount at box 9.37A. Trustees of an unauthorised unit trust should include that income in box 9.34 instead.

## How to fill in pages 3 to 12 of the Trust and Estate Tax Return - continued

### Losses on deeply discounted securities

#### ● Strips

You cannot claim any relief for a loss on redemption or disposal of a strip (including a deemed 5 April disposal) to the extent that the proceeds (or the 5 April market value in the case of a deemed disposal) are less than your original acquisition cost of the strip. This applies generally to strips acquired on or after 15 January 2004.

#### ● Other deeply discounted securities

For deeply discounted securities other than strips, you cannot claim any relief for a loss on redemption or disposal, unless the security has been held since 26 March 2003 and it was then, or had been, listed on a recognised stock exchange. If that applies deduct the qualifying loss in arriving at the amount to enter in box 9.37A.

### Accrued income

Accrued income securities include all interest bearing securities, including permanent interest bearing shares in a building society, government loan stock (gilts) and company loan stock, but do not include shares in a company or National Savings Certificates.

No profit arises and no loss is made for 2009–10 if the nominal value of all accrued income securities held on disabled persons' trusts or by a personal representative at any time in 2009–10 or 2008–09 did not exceed £5,000.

You should calculate profits or losses for securities you have bought or sold or transferred where the next interest payment after your purchase or sale fell between 6 April 2009 and 5 April 2010.

A profit will arise if the trust or estate purchased securities without accrued interest (ex-dividend) or sold securities with the accrued interest (cum-dividend). The profit will be the accrued interest not received, that is the amount by which the purchase price was reduced (purchase ex-dividend) or the sale price was increased (sale cum-dividend).

A loss will be made if the trust or estate purchased securities with accrued interest (cum-dividend) or sold securities retaining the right to the next interest payment (ex-dividend). The loss will be the amount by which the purchase price was increased (purchase cum-dividend) or the sale price was decreased (sale ex-dividend).

Strictly, you should deal with each kind of security separately. On each kind of security combine the profits and losses. Where the profits exceed the losses for a particular kind of security the net amount is chargeable. The charge is at the trust rate for all trustees, other than trustees of an unauthorised unit trust, and at the basic rate for personal representatives. Trustees of an unauthorised unit trust are chargeable at the basic rate.

Add together all the chargeable amounts and enter the figure in box 9.37A. Trustees of an unauthorised unit trust should include the amount in box 9.34.

Where losses exceed profits on a security, the net interest arising on that security and the tax deducted on it should not be included in boxes 9.2 and 9.3. Instead they should be included in boxes 9.12 and 9.13. The amount to be entered in box 9.14 is the net interest plus the tax deducted minus the amount of the excess of the losses over the profits.

If the trust or estate was a partner, it is also chargeable on its **share** of any profits on accrued income securities held by the partnership. Include the amounts in box 9.37A. Both trustees and personal representatives should use their share of any excess losses to reduce income in box 9.14.

#### box 9.38

Personal representatives and trustees, other than trustees of an unauthorised unit trust, should include the other types of deemed income listed at the beginning of this section ('Deemed income') on page 19 in box 9.38. Trustees of an unauthorised unit trust should include them in box 9.34.

### Income from offshore funds

You may need to make an entry in this box if the trust or estate has disposed of an interest in an offshore fund. The rules relating to this can be quite complex; HM Revenue & Customs has published guidance in its Offshore Funds Manual and Savings and Investments Manual, which are available from [www.hmrc.gov.uk](http://www.hmrc.gov.uk) or alternatively you should ask your tax adviser. The following is only a general overview.

The term 'offshore fund' is defined in UK tax legislation; broadly such a fund is an investment scheme of which the trustees or operators are not resident in the UK (for example, unit trusts operated under Jersey laws and Belgian SICAVs are offshore funds). Other than 'open-ended' investment companies, non-resident companies generally are not offshore funds but you should check this with the fund manager or your tax adviser.

In certain circumstances, gains on disposals of holdings in offshore funds are charged to tax as income instead of being taxed as capital gains. If that is the case then you should enter the un-indexed gain on disposal of the interest in the offshore fund in box 9.38. Where that is not the case, then any gain or loss on disposal should be returned on the Capital Gains pages and not in box 9.38. If this applies, you can obtain copies of the Trust and Estate Capital Gains pages from the SA Orderline or [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

Any income received by the trust or estate from the offshore fund should be returned on Foreign page TF 2 in box 4.5 or on page 4 of the Trust and Estate Tax Return, as appropriate. The voucher or fund manager will give relevant details about the type of income arising.

### Company purchase of its own shares

#### boxes 9.39 and 9.40

Qualifying distributions where a company buys its own shares are taxable on the trustees at the dividend trust rate. They are treated as dividends and the associated tax credit is not payable.

Enter in box 9.39 the amount of any tax credit relating to the payment. The amount to be entered is 10% of the figure in box 9.40.

Enter in box 9.40 the total taxable amount. You calculate this by deducting from the actual (that is, the net) deemed dividend the amount of the deductible trust management expenses and multiplying the result by  $^{10}/_9$ .

Note: if the amount of the deemed dividend exceeds the total amount of trust management expenses paid, the amount of deductible management expenses to be entered in box 13.19 will be nil.

If the trust is non-resident in the UK for Income Tax purposes, expenses which are attributable to sources of income not liable to UK Income Tax cannot be deducted from the income from companies buying their own shares. The amount of expenses to be deducted will be the total trust management expenses paid multiplied by the total taxable UK income divided by the total income of the trust.

## Q9A Standard rate band

*The standard rate band applies only to trustees. Personal representatives should go to Question 10A.*

### Trustees with any income chargeable at the special trust rate must complete box 9A.1

The first £1,000 of income which would otherwise be chargeable at the special trust rates is instead chargeable at the basic or dividend rate, depending on the nature of the income. This first £1,000 of income is known as the standard rate band. If you have ticked box 8.4 or 8.15 your income will not normally be liable at the special trust rates but there are occasions when they will apply. This will happen if you receive certain sums that are capital in trust law, for example, gains on life insurance policies and certain lease premiums, but which are treated as income for Income Tax purposes (see the notes for 'Deemed income' on page 19). These sums are chargeable on all trustees, except trustees of an unauthorised unit trust, at the special trust rates.

Enter in box 9A.1 the amount of standard rate band to which you are entitled. This cannot be more than £1,000 but it will be reduced if any settlor of the trust or settlement has made more than one trust or settlement, which are in existence during any part of the period covered by this return. Where this is the case the £1,000 is divided by the number of settlements made by the settlor though it cannot be reduced below £200. So, if a settlor has made:

- two trusts or settlements, each will have a standard rate band of £500
- three trusts or settlements, each will have a standard rate band of £334
- four trusts or settlements, each will have a standard rate band of £250
- five or more trusts or settlements, each will have a standard rate band of £200.

Where there is more than one settlor, the calculation of the standard rate band is made by reference to the settlor who has made the most trusts or settlements.

The standard rate band applies after the deduction of allowable expenses – see section 13. The standard rate band is applied in the following sequence to the different types of income:

- first to non-dividend-type income (rent, business income, savings)
- then to dividend-type income.

## Q10A Do you want to claim any reliefs or have you made any annual payments?

*If you do not tick the 'Yes' box, go to Question 11.*

Otherwise, tick the 'Yes' box and fill in boxes 10.1A to 10.4A and/or 10.1B as appropriate, using the notes below.

Trustees of an unauthorised unit trust who made, or are treated as having made, annual payments should tick the 'Yes' box and complete boxes 10.2A to 10.4A following the notes.

- Personal representatives: interest on loans and payments under alternative finance arrangements made to pay Inheritance Tax

### box 10.1A

Personal representatives are chargeable on the whole of the income that arises on an estate after the date of death. They are not entitled to a deduction for expenses. But they can claim relief in respect of loans and alternative finance arrangements taken out to pay the Inheritance Tax due on the estate if they are obliged to pay this tax when the Inheritance Tax account is delivered. The relief is limited to interest paid for a maximum 12 month period from the date the loan was made.

Enter in box 10.1A the amount of interest paid or alternative finance payments; if you need help ask us or your tax adviser.

- Trustees

### boxes 10.2A to 10.4A

Enter here the amount of any annuity or other annual sum payable out of the trust's income. If the annual payments (box 10.4A) exceed the trust income brought into charge the trustees are taxable on the excess. This is likely to apply to charitable trusts that make such payments if their income is otherwise exempt from tax.

If unauthorised unit trusts have an excess of annual payments, or amounts treated as annual payments, over trust income brought into charge then again the trustees are taxable on the excess. In such cases, however, the trustees may be entitled to relief for an 'uncredited surplus'. The amount of any such relief is deductible in calculating the excess on which the trustees are taxable. This deduction is limited to the amount of the excess for the year.

Please provide the calculation of the 'uncredited surplus' in the 'Additional information' box, box 21.11 on page 12 of the Trust and Estate Tax Return. Where relief is given for an uncredited surplus the amounts to be returned in boxes 10.2A to 10.4A are those after the relief has been given.

- Vulnerable beneficiaries

### box 10.1B

If you have ticked the 'Yes' box at 10.1B, enter in box 10.1B the amount of relief claimed against Income Tax only. **Relief claimed against Capital Gains Tax should be entered in box 5.6E of the Trust and Estate Capital Gains pages.** You can only make a claim if you have made a valid election (see notes on boxes 8.17 and 8.18 on pages 11 and 12).

A tick in box 8.18 applies the special treatment to both Income Tax and Capital Gains Tax, if any.

## Q11

### Were any annual payments made out of capital or out of income not brought into charge to Income Tax?

*If you do not tick the 'Yes' box, go to Question 12.*

### boxes 11.1 to 11.3

For example, if the trustees have received enhanced stock dividends and made compensatory payment out of capital to beneficiaries, enter the amount of the payment made in box 11.1, the tax taken off in box 11.2 and the gross amount in box 11.3.

**Q12** Have any assets or funds been put into the trust in year 2009–10?

**boxes 12.1 to 12.9**

Use boxes 12.1, 12.4 and 12.7 to provide the name and address of any person who made an addition to the trust during the year to 5 April 2010. If the trust was first created after 5 April 2009, please include details of the original settlement. Describe the assets in boxes 12.2, 12.5 and 12.8, for example, shares, cash, etc. Enter in boxes 12.3, 12.6 and 12.9 the value of the asset at the date it was added to the trust/settlement funds.

**Q13** Is any part of the trust income not liable to tax at the special trust rates?

You should tick the box only if there is trust income to which beneficiaries have an entitlement or which is applied for specific purposes. If the only income which is not liable at the special trust rates is the income within the standard rate band do not tick the box. The standard rate band is the first £1,000 of income which would otherwise be chargeable at the special trust rates but which is instead taxable at the basic or dividend rates, depending on the nature of the income.

- Trust management expenses

*From which income may expenses be deducted?*

If you are liable at the special trust rates, you can deduct allowable trust management expenses in arriving at the amount of income on which you are taxable at those rates. You cannot deduct trust management expenses in arriving at the amount of income taxable only at the basic rate (20%) or dividend rate (10%).

You can deduct only expenses that relate to that part of the income which is taxable at the special trust rates. For example, you may be the trustee of a trust where one half of the income is taxable at the special trust rates and one half is not. If the total income is £5,000 and the allowable expenses are £1,000, you can deduct only £500 expenses as the other £500 relates to income which is not taxable at the special trust rates.

*What expenses are deductible for trustees?*

Trustees cannot deduct management expenses against income taxable only at the dividend rate (10%) or basic rate (20%).

You can deduct the expenses of managing the trust from trust income chargeable at the special trust rates, provided the expenses are under general trust law properly chargeable to income. To be properly chargeable to income, the expenses must be incurred exclusively for the benefit of the income beneficiaries.

You cannot deduct expenses that are incurred for the benefit of the whole estate, for example, legal expenses, the cost of investment advice or of changing trust investments. Under trust law such expenses are properly chargeable to capital.

For further guidance on what are allowable trust management expenses for trustees, see *Helpsheet 392 Trust Management Expenses*.

*How expenses are deducted*

You must deduct any allowable expenses against income in the following order:

- 1 against income that carries a non-payable ordinary dividend rate tax credit or notional tax credit of 10%, for example, dividends or stock dividends from UK companies, then
- 2 any excess against other dividend income not within 1, then
- 3 any excess against savings income, finally
- 4 any excess against other income.

The standard rate band applies after the deduction of allowable expenses.

As you complete the Trust and Estate Tax Return, you may find that a proportion of income is not taxable at the special trust rates and that you have more than one type of income against which you can allocate expenses.

For example, some of the income may not be the subject of any discretion or may be allocated for specific purposes and the income may be of different types. When this happens you will have to apportion the expenses (between income chargeable at the special trust rates and that which is not so chargeable) and then allocate expenses against different types of income in the order indicated - see Example 1 below.

**Example 1**

The total trust income is £5,000, comprising rental income of £4,000 and interest of £800 (basic rate tax of £200 has been deducted). £500 is allocated for specific purposes. You pay allowable expenses of £500. One half of the income is taxable at the special trust rates. You can calculate the amount of income taxable at the special trust rates as follows:

	Rent	Interest
<b>Income</b>	4,000	1,000
<i>minus</i>		
Income allocated for specific purposes (apportioned at a ratio of 4:1)	(400)	(100)
	3,600	900
<i>minus</i>		
Income not taxable at the special trust rates (1/2)	(1,800)	(450)
	1,800	450
<b>Expenses</b>		500
<i>minus</i>		
Apportioned to income allocated for specific purposes		$500 \times \frac{500}{5,000} = 50$
		450
<i>minus</i>		
Apportioned to income not taxable at the special trust rates		$450 \times \frac{2,250}{4,500} = 225$
Allowable against income taxable at the special trust rates		$225 \times \frac{100}{80} =$
		(281)
<b>Amount taxable at special trust rates</b>	<b>1,800</b>	<b>169</b>

The standard rate then applies: £1,000 is taxable at 20%, and the balance £969 is taxable at the special trust rate of 40%

*Trust expenses and beneficiary's income - bare trust*

If the beneficiary has an absolute interest in both capital and income, trust management expenses cannot be deducted in arriving at the measure of his or her income.

## How to fill in pages 3 to 12 of the Trust and Estate Tax Return - continued

### Trust expenses and beneficiary's income - interest in possession trust

If the beneficiary has an interest in income only, trust management expenses are taken into consideration in arriving at the measure of the beneficiary's income - see Example 2 below.

For further guidance on what are allowable trust management expenses for beneficiaries, see *Helpsheet 392 Trust Management Expenses*.

#### Example 2

You are trustee of a trust in which the beneficiary has a life interest (the beneficiary is called a 'life tenant'). In 2009–10 you receive rental income of £1,500 and bank interest of £800 (basic rate tax of £200 has been deducted) and pay allowable expenses of £250.

	Rent	Interest
Your gross income is	1,500	1,000
Tax due from you	<u>300</u>	<u>200</u>
Net income	1,200	800

You will receive credit for the tax deducted at source from the bank interest (£200) so you will have to pay £300 in tax.

The life tenant's income for tax purposes will be:

	Rent	Interest
Net income (as above)	1,200	800
<i>minus</i>		
Management expenses	<u>      </u>	<u>(250)</u>
	1,200	550
Grossed	(@20%) 1,500	(@20%) 687

**boxes 13.7 to 13.18** If you have ticked the 'Yes' box in Question 13, you will need to complete boxes 13.7 to 13.18. The following notes and the Working Sheet on page 24 will help you to complete these boxes.

**boxes 13.7 to 13.12** You should complete these boxes if the terms of the trust are such that some part of the income is neither to be accumulated nor is payable at the discretion of any person. For example, a beneficiary may have an irrevocable title to part of the capital and income or may be entitled to part of the income as it arises.

You should normally apportion each type of income that falls under this heading. You will also need to apportion any allowable trust management expenses. However, if such a beneficiary's share of the income is not, under the terms of the trust or because the trustees have exercised their power of appropriation, measured as a percentage of each type of income, it is the income to which they are entitled and the trust management expenses relating to that income which should be entered in these boxes.

Enter in boxes G1 and G5 the amount of income (not subject to trustees' discretion) net of tax or tax credits but without deducting trust management expenses.

Enter in boxes G2 and G6 the amount of expenses relevant to each source of income to which the beneficiary is entitled. You must set the expenses as far as possible against the net income in the order set out under the heading 'How expenses are deducted' on page 22.

Enter in boxes G3 and G7 the amount of tax due on each source of income and enter in boxes G4 and G8 the gross amount of income (that is, G1 plus G3, G5 plus G7) relevant to each source of income to which the beneficiary is entitled.

Enter similar details in boxes G9 to G16 for any other beneficiary who is entitled to the income of the trust and repeat the process at boxes G17 to G24 for any third beneficiary.

For each of the two categories of income, total the amounts of expenses and the amount of gross income for all the beneficiaries in boxes G25 to G28 and copy the amounts to the appropriate boxes 13.7 to 13.12 on the Trust and Estate Tax Return, as directed on the Working Sheet.

(If there are more than three beneficiaries, photocopy this section of the Working Sheet but remember to include totals in boxes G25 to G28.)

**boxes 13.13 to 13.18** If the will or settlement directs that income is to be applied for specific purposes, for example, the redemption of a lease or mortgage, you can deduct it in arriving at the amount of income which is to be taxed at more than the basic rate. Income which is applied for the maintenance, etc. of beneficiaries should not be included; nor should income used to meet your expenses in collecting income or administering the trust.

Enter in boxes G29 and G33 the amount of net income allocated to specific purposes relevant to each source shown.

Enter in boxes G30 and G34 the amount of expenses relevant to each source of income allocated to specific purposes. You must set the expenses against the net income in the order set out under the heading 'How expenses are deducted' on page 22.

Enter in boxes G31 and G35 the amount of tax due on each source of income.

Enter in boxes G32 and G36 the gross amount of income (that is, G29 plus G31, G33 plus G35) relevant to each source of income. Copy the amounts in G30, G32, G34 and G36 to boxes 13.13 to 13.18 on the Trust and Estate Tax Return, as directed on the Working Sheet.

**box 13.19** Enter the total amount of deductible trust management expenses - see the notes on 'What expenses are deductible for trustees?' on page 22. Do not include expenses which have been taken into account in arriving at the amount of taxable income from companies purchasing their own shares (see the notes to boxes 9.39 and 9.40 on page 20).

**If you submit a provisional figure which is either inaccurate, or unnecessary, you may be liable to a penalty.**

**box 13.21** If the trust is not resident in the UK for Income Tax purposes enter in box 13.21 the amount of income not liable to UK Income Tax and which is not therefore included elsewhere in this Trust and Estate Tax Return.

**Q13A**

**Is this a settlor-interested trust where part of the income is not settlor-interested?**

*You should tick this box where there is trust income which is liable at the special rates but where some of the income is settlor-interested and some is not.*

**box 13A.1** You should enter an amount in this box only if you have ticked boxes 8.12 and 8.16 and part of the trust is not settlor-interested. The normal tax pool arrangements do not apply where income of the trust is treated as that of the settlor. So where part of the trust is settlor-interested and part not, enter in this box your calculation of the amount of the tax pool that relates to the part of the trust which is not settlor-interested.

## Working Sheet for Question 13

### Income of beneficiary(ies) not subject to trustees' discretion

If more than three beneficiaries, photocopy this section and add the totals in boxes G25 to G28 below.

Beneficiary 1		Share of income (% or fraction if appropriate) <input type="text"/>			
	Net income	Share of expenses	Tax	Gross income	
Income charged at 10% rate	<b>G1</b> £ <input type="text"/>	<b>G2</b> £ <input type="text"/>	<b>G3</b> £ <input type="text"/>	<b>G4</b> £ <input type="text"/>	
Income charged at 20% rate	<b>G5</b> £ <input type="text"/>	<b>G6</b> £ <input type="text"/>	<b>G7</b> £ <input type="text"/>	<b>G8</b> £ <input type="text"/>	
Beneficiary 2		Share of income (% or fraction if appropriate) <input type="text"/>			
	Net income	Share of expenses	Tax	Gross income	
Income charged at 10% rate	<b>G9</b> £ <input type="text"/>	<b>G10</b> £ <input type="text"/>	<b>G11</b> £ <input type="text"/>	<b>G12</b> £ <input type="text"/>	
Income charged at 20% rate	<b>G13</b> £ <input type="text"/>	<b>G14</b> £ <input type="text"/>	<b>G15</b> £ <input type="text"/>	<b>G16</b> £ <input type="text"/>	
Beneficiary 3		Share of income (% or fraction if appropriate) <input type="text"/>			
	Net income	Share of expenses	Tax	Gross income	
Income charged at 10% rate	<b>G17</b> £ <input type="text"/>	<b>G18</b> £ <input type="text"/>	<b>G19</b> £ <input type="text"/>	<b>G20</b> £ <input type="text"/>	
Income charged at 20% rate	<b>G21</b> £ <input type="text"/>	<b>G22</b> £ <input type="text"/>	<b>G23</b> £ <input type="text"/>	<b>G24</b> £ <input type="text"/>	
• Income charged at 10% rate	Total G2, G10 + G18	<b>G25</b> £ <input type="text"/>	Total G4, G12 + G20	<b>G26</b> £ <input type="text"/>	
		<i>copy to 13.8</i>		<i>copy to 13.7</i>	
• Income charged at 20% rate	Total G6, G14 + G22	<b>G27</b> £ <input type="text"/>	Total G8, G16 + G24	<b>G28</b> £ <input type="text"/>	
		<i>copy to 13.12</i>		<i>copy to 13.11</i>	
<b>Income allocated to specific purposes</b>					
	Net income	Share of expenses	Tax	Gross income	
• Income charged at 10% rate	<b>G29</b> £ <input type="text"/>	<b>G30</b> £ <input type="text"/>	<b>G31</b> £ <input type="text"/>	<b>G32</b> £ <input type="text"/>	
		<i>copy to 13.14</i>		<i>copy to 13.13</i>	
• Income charged at 20% rate	<b>G33</b> £ <input type="text"/>	<b>G34</b> £ <input type="text"/>	<b>G35</b> £ <input type="text"/>	<b>G36</b> £ <input type="text"/>	
		<i>copy to 13.18</i>		<i>copy to 13.17</i>	

## Q14 Have discretionary payments of income been made to beneficiaries?

If you tick the 'Yes' box, fill in boxes 14.1 to 14.14 as appropriate. If not applicable, fill in box 14.15 only.

**Trustees of Heritage Maintenance Funds: the boxes in Question 14 of the return are only for discretionary payments of pure income profit to individual beneficiaries, which would not normally feature in this type of trust. Do not complete these boxes for expenditure on heritage property, by you or even by way of payment to or reimbursement of a third party who is an individual. If you enter such figures here they may result in an incorrect tax charge on you.**

### boxes 14.1 to 14.14

Enter details of all net payments made during the year in exercise of your or any other person's discretion which are income of the beneficiaries. Payments out of trust income are always the income of the beneficiaries. Payments out of trust capital or accumulated income are not to be regarded as the income of a beneficiary irrespective of the purposes for which they are made and should not therefore be included.

If, exceptionally, the terms of the trust empower the trustees to release monies in order to bring up a beneficiary's income to a certain defined level the total amount of the monies released should be included even if part of it represents capital or accumulated income.

Payment is regarded as taking place when a beneficiary is legally entitled to require money to be paid over, for example, when it becomes irrevocably their property following the trustees' resolution to allocate or appropriate it to them.

Payments by trustees of settlor-interested trusts made at their or any other person's discretion and where the underlying income is chargeable on the settlor are not to be included in boxes 14.1 to 14.14. Instead, give details of such payments in the 'Additional information' box at 21.11. These details must include, for each payment, the actual amount paid by the trustees to each beneficiary and the name of that beneficiary. Such payments are not included in the calculation of the tax pool. A settlor-interested trust is one where the settlor has retained an interest. See *Helpsheet 270 Trusts and settlements - income treated as the settlor's* for more information.

Where only part of the income arising to the trustees is chargeable on the settlor, then part of the payment will need to be shown in box 21.11 and part in boxes 14.1 to 14.14. The amount that goes in box 21.11 is the proportion of the discretionary payment which corresponds to the proportion of income chargeable on the settlor to the total income of the trustees. The rest of the payment is shown in boxes 14.1 to 14.14 as normal. For example, if the trustees make discretionary payments to the beneficiaries totalling £2,000 and their total income is £5,000, of which £3,000 is chargeable on the settlor, the amount to be shown in box 21.11 is £1,200 ( $2,000 \times 3,000/5,000$ ). The balance of £800 is shown in boxes 14.1 to 14.14.

Payments by trustees of employment related trusts made at their, or any other person's, discretion and which are taxable as employment income of the beneficiary are not to be included in boxes 14.1 to 14.14 and such payments do not reflect in the calculation of the tax pool. If there is insufficient space on page 8 of the Trust and Estate Tax Return to give full details of payments, please attach a separate sheet giving the additional information in the same format as Question 14.

### box 14.15

Enter the amount, if any, of unused tax pool brought forward from last year.

## Q15 Have the trustees made any capital payments to, or for the benefit of, relevant children of the settlor during the settlor's lifetime?

If you do not tick the 'Yes' box, go to Question 15A.

### box 15.1

In this context capital payments include the transfer of assets as well as payments of cash. A relevant child is a minor who has never been married or in a civil partnership.

Enter in box 15.1 the total amount of payments made in the year.

## Q15A Were there capital transactions between the trustees and the settlors?

If you do not tick the 'Yes' box, go to Question 16.

### boxes 15A.1 to 15A.12

There may be a tax charge on the settlor where capital sums are paid to them by the trustees either directly or through a company connected with the settlor.

A capital sum is defined as:

- any sum paid by way of loan or repayment of loan
- any other sum paid otherwise than as income being a sum which is not paid for full consideration in money or money's worth.

A company is deemed to be connected with a settlement if it is:

- (a) a close company (or only not a close company because it is not resident in the United Kingdom) and the participators include the trustees of the settlement
- (b) controlled by a company falling within paragraph (a) above.

A capital sum is deemed to have been paid to the settlor if it is:

- paid to them
- paid to their spouse or civil partner
- paid to a third party at the settlor's direction
- paid to a third party by virtue of an assignment by the settlor of their right to receive it
- otherwise paid to or applied for the benefit of the settlor.

Enter in boxes 15A.1 to 15A.12 details of any capital sums paid to the settlor or to a company connected with the settlement. If any capital sum has been paid to a company connected with the settlement, enter the name(s) of the company(ies) and its (their) registered office(s) in the appropriate box. If more than one sum has been paid, give separate details for each one.

## Q16 Has the trust at any time been non-resident or received any capital from another trust which is, or at any time has been, non-resident?

If you do not tick the 'Yes' box, go to Question 17.

### boxes 16.1 to 16.23

There may be a tax charge on beneficiaries if they receive capital or other benefits from a trust which has at any time been treated as non-resident in the UK for tax purposes or which has received capital from another trust which is, or at any time has been, treated as non-resident.

For the purposes of deciding if you need an entry in box 16.1:

- a capital payment means
  - any payment made which is not chargeable to Income Tax on the beneficiary or in the case of a beneficiary who is neither resident nor ordinarily resident in the United Kingdom any payment received otherwise than as income

## How to fill in pages 3 to 12 of the Trust and Estate Tax Return - continued

- the transfer of an asset
- the value of any settled property at the time when the beneficiary becomes absolutely entitled as against the trustees to it.

But it does not include a payment under a transaction entered into at arm's length.

- a benefit has its ordinary meaning and will, for example, include:
  - a loan to a beneficiary either interest-free or at a rate below a normal commercial rate
  - allowing a beneficiary to live rent-free or at a rent below the normal market rent in a property owned by the trust
  - allowing a beneficiary the use of a trust asset without payment at a market rate.
- you will be regarded as having made a payment to the beneficiary if
  - they received it from you directly or indirectly
  - you apply it directly or indirectly in payment of any debt of theirs or otherwise for their benefit
  - you pay it to a third person at the beneficiary's direction.

### Q17 Do you want to calculate the tax?

If you tick the 'Yes' box, please do your calculation and fill in boxes 17.1 to 17.10. If you do not tick the 'Yes' box, go to Question 18.

Calculating your tax is optional but if you do it, we need this information so that we can check that you have got it right. The Trust and Estate Tax Calculation guide explains what to put in the boxes.

### Q18 If the trust or estate has paid too much tax do you want to claim a repayment?

If you do not tick the 'Yes' box, go to Question 19.

If you tick the 'Yes' box to claim a repayment, fill in boxes 18.1 to 18.12 as appropriate.

Please note that if you have an amount to pay that is due in the near future (usually within 45 days) then we will generally set off any repayment against this liability. Also, we would prefer not to make repayments of small amounts, because of administrative costs. So if the overpaid tax is below £10 we will normally set it against your next tax bill. But if you do not agree with these set-offs, please contact us.

Please note that this repayment may be based on figures included in a claim or return that has not been checked. This repayment is not confirmation that the figures submitted are correct and complete. If, at a later date, the claim or return is found to be incorrect, any over-repayment will have to be returned by you to us.

**boxes 18.1 to 18.12** If you tick box 18.1 you will receive repayment direct into your bank or building society. Fill in boxes 18.3 to 18.7 with details of your account. It is quicker and safer to receive your repayment in this way as you will not have to take a cheque to the bank or building society yourself. If you do not have a bank or building society account, tick box 18.8A and we will send a cheque to you at the address on page 1.

Tick box 18.2 if you want the repayment sent direct to your nominee's bank or building society account. Fill in boxes 18.3 to 18.7 to give details of that account. Also, fill in boxes 18.10 and 18.11 to give details of your nominee. **You must sign box 18.12. If your nominee is your adviser tick box 18.9A.**

Please note that we reserve the right not to make a repayment to your nominee.

### Q19 Trustee or personal representative details

**boxes 19.1 to 19.4** Please enter your, or your adviser's, phone number in the appropriate box. **Please include the area code.** (If you give your adviser's number please also give their name and address in box 19.3.)

### Q20 Have there been any changes to the names and addresses of the trustees or personal representatives?

Give the names and addresses of all new and retiring trustees or personal representatives. If any of the new or retiring trustees are not resident in the UK, please also give the date of their appointment or retirement in the 'Additional information' box, box 21.11 on page 12 of the Trust and Estate Tax Return.

Give details of any change of addresses of existing trustees or personal representatives in boxes 20.9 to 20.12.

### Q21 Other information

**box 21.1** If you are filling in this Trust and Estate Tax Return as a personal representative please enter in box 21.1 the date of death of the deceased.

**box 21.2** If the administration period ceased in the year to 5 April 2010 enter the date of cessation in box 21.2.

**box 21.3** If the administration period ceased in the year to 5 April 2010 and there is a continuing trust, please tick box 21.3.

**box 21.4** If you are a trustee and the trust was terminated in the year to 5 April 2010 please enter the date of termination in box 21.4 and, in the 'Additional information' box, box 21.11, the reason for termination.

### Provisional figures

**box 21.5** Do not delay sending the Trust and Estate Tax Return just because you do not have all the information you need. You must do your best to obtain the information, but if you cannot provide final figures by the time you need to send the Trust and Estate Tax Return, then provide provisional amounts.

Tick box 21.5 and say in the 'Additional information' box, box 21.11, which figures are provisional (refer to appropriate box numbers in the Trust and Estate Tax Return).

It would also help if you say in box 21.11:

- why you could not give final figures, **and**
- an approximate date by which you expect to provide your final figures.

If you use provisional figures you must have taken all reasonable steps to get the final figures, and ensure that they are sent as soon as they are available. You could be charged a penalty if you did not have a good reason for using a provisional figure or you did not take sufficient care to calculate the provisional figure in a reasonable amount. We would not regard pressure of work either on you or your tax adviser, or the complexity of the trust's or estate's affairs, as reasons for accepting a provisional figure. You must ensure that any provisional figures you do include are reasonable and take account of all the information available to you.

**If you submit a provisional figure which is either inaccurate, or unnecessary, you may be liable to a penalty.**

### Estimates (including valuations)

In some situations you may need to provide an estimated figure or valuation which you do not intend to amend at a later date. Broadly this will be the case where:

- a valuation is required (for example, of an asset at a certain date for the purposes of calculating Capital Gains Tax liability), **or**
- there is inadequate information to enable you to arrive at a reliable figure (for example, where the records concerned have been lost or destroyed), **or**
- while there is inadequate information to arrive at a precise figure, a reliable estimate can be made.

You should identify any valuations you have used, either by ticking the appropriate box in the Trust and Estate Tax Return, where there is one, and providing the details which the notes ask for, or by identifying the figure in the 'Additional information' box, box 21.11 on page 12 of the Trust and Estate Tax Return, and giving details of the valuation. Do not tick box 21.5.

You should also identify any figures in your Trust and Estate Tax Return which may not be reliable; where appropriate, explain how the figure has been arrived at. But if you are including an estimate which, while not a precise figure, is sufficiently reliable to enable you to make an accurate Trust and Estate Tax Return, there is no need to make specific reference to it.

#### box 21.6

Enter the amount of any 2009–10 tax refunded by us, or, in the case of personal representatives, the Jobcentre Plus, (in Northern Ireland, the Social Security Agency).

### Disclosed tax avoidance schemes

#### box 21.7

Enter in box 21.7 the scheme reference number (SRN) of any scheme or arrangement the trust or estate has used to obtain a tax or National Insurance contributions advantage. In most cases you will have received the SRN from the scheme promoter, but in some cases you may have received the SRN from HM Revenue & Customs.

Advantage here means:

- relief, or increased relief, from, **or**
- repayment, or increased repayment of, **or**
- the avoidance or reduction of a charge to, **or**
- the avoidance of an assessment, or possible assessment, to, **or**
- the deferral of any payment of or the advancement of any repayment of, **or**
- the avoidance of any obligation to deduct or account for Income Tax, Capital Gains Tax or National Insurance contributions.

If you are an employer and the notifiable arrangements concerned are arrangements connected with employment, you should not enter the SRN in this return. SRNs for employment products should be notified separately using form AAG4 available from [www.hmrc.gov.uk](http://www.hmrc.gov.uk) or from the SA Orderline. If you fail to report the SRN for a scheme or arrangement, you will be liable to a penalty.

#### box 21.8

Enter in box 21.8 the year in which the expected tax advantage first arises. This may be the year to 5 April 2010 or a future year. It may be an earlier year if this is the first time you have reported the SRN. Even if you have reported the SRN in a previous return, you must continue to report it until there is no longer a tax advantage (for example, until losses produced by the scheme have been used up).

Further information on the rules for disclosure of tax avoidance schemes and arrangements is at [www.hmrc.gov.uk](http://www.hmrc.gov.uk) (search using 'disclosure avoidance guidance'), or you can contact us.

### Business Premises Renovation Allowance (BPPA)

The BPPA scheme took effect from 11 April 2007. From that date, for a period of five years, if you carry out conversion, renovation or repairs to unused business premises which brings them back into business use, you are entitled to claim a 100% allowance against the costs incurred, subject to the following rules. To qualify for BPPA, premises must:

- not have been used for any trading or other business activity, or as offices, for at least one year before the works began
- be in an Assisted Area, that is, areas which are considered to be disadvantaged and eligible for regional aid. The whole of Northern Ireland qualifies as an Assisted Area and to see whether an area in England, Wales and Scotland qualifies go to [www.dtistats.net/regional-aa/aa2007.asp](http://www.dtistats.net/regional-aa/aa2007.asp)
- be available for business or commercial use after the works are complete (but must not be used for farming, fisheries and aquaculture, the manufacture of substitute milk products or synthetic fibres, shipbuilding, steel or coal industries).

BPPA **cannot** be claimed:

- if the renovation expenditure has been incurred on any residential property, **or**
- on the costs of acquiring the land, extending the business premises, or developing land next to the business premises.

For further information about BPPA and the conditions you must satisfy to claim the allowance, go to [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

#### For BPPA balancing charges

To qualify for BPPA, premises must be held for at least seven years from the date the premises were first used or were suitable for letting. If within that period:

- the premises are sold, either freehold or by a long lease of 21 years, **or**
  - cease to be used for business activities, **or**
  - the premises are demolished or destroyed, **or**
  - the person who incurred the renovation costs dies
- the allowance must be repaid. This is done by means of an adjustment known as a balancing charge. Enter in box 21.10 the amount of BPPA which you have previously claimed on the premises.

#### boxes 21.9 and 21.10

Extract from boxes 1.20 and 3.35, and boxes 1.21 and 3.33, amounts that relate to any BPPA claims or balancing charges. Enter claims to the BPPA in box 21.9 and the balancing charges in box 21.10.

#### If you have used a HMRC Toolkit for managing risks

#### box 21.10A

**Completion of this box is voluntary. It does not form part of the declaration at Q22, so you will not be held responsible for the accuracy of this entry.**

Please tick this box if you have been told by your adviser that the HMRC Toolkit for managing risks in the Trust and Estate Tax Return has been used when completing this return. This box is included for this year only to collect data on the take up of a Toolkit, which HMRC has produced for managing risks in the Trust and Estate Tax Return. The Toolkit is designed primarily for use by tax agents and advisers as they help you complete this tax return. It identifies the main areas of common error and suggests ways to reduce the risks of making these errors. **Use of the Toolkit is entirely voluntary.** It is updated each year so there is a separate edition to match returns for different tax years. If you or your agent would like to find more information about the Toolkit please go to [www.hmrc.gov.uk](http://www.hmrc.gov.uk) and use 'toolkit' as your search term. The information gathered through this box will be used for statistical purposes only and will not be used for risk assessing returns for enquiry.



### Q22 Declaration

**Tick the boxes to show which pages of the Trust and Estate Tax Return you have filled in. (Make sure you send back any loose supplementary pages.)**

#### *If you have filled in the Trust and Estate Tax Return*

Sign and date the form in box 22.1.

Please print your name in box 22.2 and enter the capacity in which you are signing in box 22.3.

#### *If you have had the Trust and Estate Tax Return filled in for you by someone else*

If you have had the Trust and Estate Tax Return filled in for you by someone else acting on your behalf you must still sign the return yourself, to confirm to us that, to the best of your knowledge and belief, it is correct and complete. This applies whether you have paid for the services of an accountant or other tax practitioner, or have had anyone else to help you.

You should always allow sufficient time for checking and signing the tax return completed by someone on your behalf (particularly if you are likely to be abroad near the deadline for sending the form back to us). Failure to make appropriate arrangements could mean that you miss the deadline and are charged penalties.

#### ■ **Your Statement of Account**

**If we receive the completed paper Trust and Estate Tax Return by 31 October 2010**, we will send you a statement showing how much tax the trust or estate owes us, or we owe the trust or estate, before any final payment is due by 31 January 2011. It will also explain how to pay.

**If we receive the completed paper Trust and Estate Tax Return after 31 October 2010**, we cannot guarantee to process it in time to let you know how much to pay by 31 January 2011. This might mean that you have to estimate how much to pay.

We will send you a payslip with either a statement or a reminder. If you pay too little, you will have to pay interest (and perhaps a surcharge). If you pay too much and have claimed a repayment, we will repay it with any interest due. If you do not claim a repayment we will set the amount due, plus any interest, against your next tax bill.

#### ■ **If you make payments on account**

Some trustees or personal representatives may have to make 'payments on account'. Each payment will normally equal one half of the previous year's tax liability (after taking off tax deducted at source and tax credits on dividends). The payments are due on 31 January in the tax year and 31 July following the tax year.

If you needed to make payments on account for the year to 5 April 2010, we will already have sent you a statement of the first payment on account due by 31 January 2010. We will send you another statement in June or July with details of the second payment on account.

If the payments on account add up to less than you owe for 2009–10, you must pay the difference by 31 January 2011.

If the payments on account add up to more than the tax bill for 2009–10, we will repay the difference if you have claimed a repayment in Question 18 on your Trust and Estate Tax Return, or if not, we will set it against your next tax bill.

When you settle your tax bill for 2009–10 by 31 January 2011 you must also pay any first payment on account for 2010–11.

**If you have asked us to work out your tax**, we will tell you how much to pay on account.

**If you are working out your tax**, the Trust and Estate Tax Calculation guide explains how to work out your payments on account.

Where you have asked us to work out your tax you will need to include full details of income which has had tax deducted at source. If details are not included we may calculate that you are due to make payments on account for 2010–11 when they are not required. This can happen if 80% or more of your total liability is met by tax deducted at source.

You can make a claim to reduce these payments if you expect your tax bill (net of tax deducted at source and tax credits on dividends) to be lower in 2010–11 than in 2009–10 – see your Tax Calculation guide for further details.

Interest will be charged on late payments of payments on account. For details see 'If you do not pay your tax on time' below.

#### ■ **Ways to pay**

You can pay by one of the following methods:

- your bank's Internet or phone banking facility
- BillPay: debit card over the Internet. Go to **[www.billpayment.co.uk/hmrc](http://www.billpayment.co.uk/hmrc)**
- at your bank
- at a Post Office
- by post.

Further details of how to pay can be found on the back of the statement or Reminder, and at **[www.hmrc.gov.uk/payinghmrc](http://www.hmrc.gov.uk/payinghmrc)**

Please contact the Accounts Office with questions about making payment on the following numbers:

- Phone: **0845 366 7816** - about how to pay
- Phone: **0845 366 1204** - for advice, if you cannot pay on time.

#### ■ **If you do not pay your tax on time**

We will charge interest on all late payments from the date the tax becomes due until it is paid. You will have to pay a surcharge on any tax for the year ending 5 April 2010, which is due by 31 January 2011, but is not paid by 28 February 2011.

This surcharge will be:

- 5% of the tax paid late, **and another**
- 5% if the tax is paid later than 31 July 2011.

#### ■ **If you pay too much tax**

If you do not claim a repayment, we will take the amount we owe you, plus any interest, off your next tax bill.

If you do claim a repayment by ticking the 'Yes' box in Question 18, we will repay it, plus any interest due on the amount overpaid. Note, if you have an amount to pay that is due in the near future then we will generally set off any repayment against this liability. Also, we would prefer not to make repayments of small amounts (below £10) because of administrative costs. But if you do not agree with these set-offs, please contact us.

#### ■ **If your Trust and Estate Tax Return is incorrect**

If your Trust and Estate Tax Return is incorrect and:

- **the trust or estate has paid too much tax** see 'If you pay too much tax' above, **or**
- **the trust or estate has not paid enough tax**, we will ask for further tax. We may charge you interest from the original due date, penalties and a surcharge.

■ *If the Notice requiring you to make the Trust and Estate Tax Return was given after 31 July 2010*

We must receive the Trust and Estate Tax Return **by the later of:**

- 31 October 2010 if you want us to calculate your tax or you file a paper return or both, **or**
- 31 January 2011 if you file online, **or**
- 3 months after the date of issue of this tax return.

Tax is also due by the date that the tax return is due.

We will charge interest on any tax paid after the due date.

A surcharge of 5% will also be made on any tax still unpaid more than 28 days after the due date. The Notice requiring you to make the Trust and Estate Tax Return is 'given' on the day it is delivered to you. We will normally assume, for example, for the purpose of charging automatic penalties for the late submission of the tax return, that delivery will have taken place not more than seven days after the date of issue shown on its front page.

## If you have a complaint

Problems can usually be settled most quickly and easily by the office you have been dealing with. You will always be given a contact name or number in any correspondence we send you.

If you cannot settle a matter with the office you have been dealing with, you can write to:

- the director with overall responsibility for that office or unit, **or**
- if the problem concerns the service you have been given by an Accounts Office, the director of that Office.

The director will look into your case and quickly let you know the outcome. For more information about making complaints, go to [www.hmrc.gov.uk](http://www.hmrc.gov.uk) and under *quick links* select *Complaints*.

### *If you are still not happy*

If the director has not been able to settle your complaint to your satisfaction, you can ask the Adjudicator to look into it and recommend appropriate action. The Adjudicator is an impartial referee whose recommendations are independent.

The Adjudicator's address is:

The Adjudicator's Office  
8th Floor  
Euston Tower  
286 Euston Road  
London NW1 3US

Phone: **0300 057 1111**

Fax: **0300 057 1212**

**[www.adjudicatorsoffice.gov.uk](http://www.adjudicatorsoffice.gov.uk)**

The Adjudicator's leaflet AO1 gives information about complaining to the Adjudicator.

Finally, you can ask your MP to refer your case to the independent Parliamentary and Health Service Ombudsman. The Ombudsman will accept referral from any MP, but you should approach your own MP first. Further information is available from:

The Parliamentary and Health Service Ombudsman  
Millbank Tower  
Millbank  
London  
SW1P 4QP

Phone: **0345 015 4033**

Fax: **0300 061 4000**

**[www.ombudsman.org.uk](http://www.ombudsman.org.uk)**

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## Your Charter

To find out what you can expect from us and what we expect from you go to [www.hmrc.gov.uk/charter](http://www.hmrc.gov.uk/charter) and have a look at *Your Charter*.

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## How we use your information

HM Revenue & Customs is a Data Controller under the Data Protection Act 1998. We hold information for the purposes specified in our notification to the Information Commissioner, including the assessment and collection of tax and duties, the payment of benefits and the prevention and detection of crime, and may use this information for any of them.

We may get information about you from others, or we may give information to them. If we do, it will only be as the law permits to:

- check the accuracy of information
- prevent or detect crime
- protect public funds.

We may check information we receive about you with what is already in our records. This can include information provided by you, as well as by others, such as other government departments or agencies and overseas tax and customs authorities. We will not give information to anyone outside HM Revenue & Customs unless the law permits us to do so. For more information go to [www.hmrc.gov.uk](http://www.hmrc.gov.uk) and look for *Data Protection Act* within the *Search* facility.

*These notes are for guidance only and reflect the position at the time of writing. They do not affect any rights of appeal. Any subsequent amendments to these notes can be found at [www.hmrc.gov.uk](http://www.hmrc.gov.uk)*