A Guide to

Inheritance Tax Planning

Finding the right wealth structures to protect your assets

Welcome

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Welcome to our guide to Inheritance Tax. One of the great things about wealth is knowing that it can be passed on to others. Your wealth might encompass businesses, property and investments in the UK and abroad that require specialist considerations. We work closely with our clients in order to plan to minimise Inheritance Tax liabilities, which is often linked to the making of wills and setting up trusts.

There are a number of different wealth structures that could help reduce your family's Inheritance Tax bill but unless you plan carefully, all your assets or your beneficiaries, could eventually become liable to Inheritance Tax. Once only the domain of the very wealthy, the wide-scale increase in home ownership and rising property values over the past decade have pushed many estates over the Inheritance Tax threshold. However, in recent years we have also seen property price reductions.

Inheritance Tax applies to your entire worldwide estate, including your property, savings, car, furniture and personal effects. You also need to consider your investments, pensions and life insurance policies and ensure that life polices are held in an appropriate trust.

Since October 2007, married couples and registered civil partners can now effectively increase the threshold on their estate when the second partner dies to as much as £650,000 in 2010/11.

Planning ahead for when you die allows you to set out clearly who should get what from your estate. In order to protect your family and loved ones, it is essential to have the correct wealth structures in place after you're gone. This is a complex area of financial planning, so to prevent unnecessary future Inheritance Tax payments you should always obtain professional financial advice based on your individual circumstances and needs.

To discuss the options available to you, please contact us for further information.

A Guide to Inheritance Tax Planning

Inheritance Tax matters

Careful planning is required to protect your wealth

Inheritance Tax is the tax that is paid on your 'estate', chargeable at a current 2010/11 rate of 40 per cent. Broadly speaking, this is a tax on everything you own at the time of your death, less what you owe. It's also sometimes payable on assets you may have given away during your lifetime. Assets include property, possessions, money and investments. One thing is certain, careful planning is required to protect your wealth from a potential Inheritance Tax liability.

Not everyone pays Inheritance Tax on their death. It only applies if the taxable value of your estate (including your share of any jointly owned assets and assets held in some types of trusts) when you die is above the £325,000 nil rate band or threshold (2010/11). It is only payable on the excess above this amount.

Passing on amounts without any Inheritance Tax

There are also a number of exemptions which allow you to pass on amounts (during your lifetime or in your will) without any Inheritance Tax being due, for example:

- if your estate passes to your husband, wife or civil partner and you are both domiciled in the UK there is no Inheritance Tax to pay, even if the estate is above the £325,000 nil rate band
- most gifts made more than seven years before your death are exempt
- certain other gifts, such as wedding gifts and gifts in anticipation of a civil partnership up to £5,000 (depending on the relationship between the giver and the recipient), gifts to charity and £3,000 given away each year are also exempt

Transfers of assets into most trusts and companies will become subject to an immediate Inheritance Tax charge if they exceed the Inheritance Tax nil rate band (taking into account the previous seven years' chargeable gifts and transfers).

In addition, transfers of money or property into most trusts are also subject to an immediate Inheritance Tax charge on values that exceed the Inheritance Tax nil rate band. Tax is also payable ten-yearly on the value of trust assets above the nil rate band; however certain trusts are exempt from these rules.

Gifts and transfers made in the previous seven years

In order to work out whether the current Inheritance Tax nil rate band of £325,000 has been exceeded on a transfer, you need to take into account all 'chargeable' (non-exempt, including potentially exempt) gifts and transfers made in the previous seven years. If a transfer takes you over the nil rate band, Inheritance Tax is payable at 20 per cent on the excess.

Where the transfer was made after 5 April and before 1 October in any year, the tax is payable on 30 April in the following year. Where the transfer was made after 30 September and before 6 April in any year, it is payable six months after the end of the month in which the transfer was made.

Government rule changes regarding trusts

On 22 March 2006, the government changed some of the rules regarding trusts and introduced some transitional rules for trusts set up before this date. Trusts not affected by the new rules (and so where no InheritanceTax is immediately payable on any transfers, but with regard to transfers made during someone's lifetime may be payable if the individual dies within seven years) are:

- lifetime transfers into a trust for a disabled person
- trusts created on death for a disabled person
- trusts created on death for a minor child of the deceased in which the child will become fully entitled to the assets at age 18
- trusts set up under a will for someone who is not a disabled person or minor child of the deceased who becomes entitled to their benefit on the death of the person who wrote the will

Existing accumulation and maintenance trusts had until 6 April 2008 to change (where appropriate) the trust's rules to enable them to fall outside the new rules.

Interest in possession (IIP) trusts that existed before 22 March 2006, or which replaced a pre-March 2006 IIP up to 5 October 2008, continue to benefit from the old rules until they come to an end. All other newly created IIP trusts will come under the new rules.

Recalculating Inheritance Tax on transfers

If you die within seven years of making a transfer into a trust on which you have already paid 20 per cent Inheritance Tax, the tax due is recalculated using the Inheritance Tax rate applicable on death (currently 40 per cent). Tax will be payable by your estate to HM Revenue & Customs on the difference.

If you made a transfer on which no Inheritance Tax was due at the time, its value is added to your estate when working out any Inheritance Tax that might be due.

Trusts that count as 'relevant property trusts' must also pay:

- a 'periodic' tax charge of up to 6 per cent on the value of trust assets over the Inheritance Tax nil rate band once every ten years
- an 'exit' charge proportionate to the periodic charge when funds valued above the Inheritance Tax nil rate band are taken out of a trust between ten year anniversaries

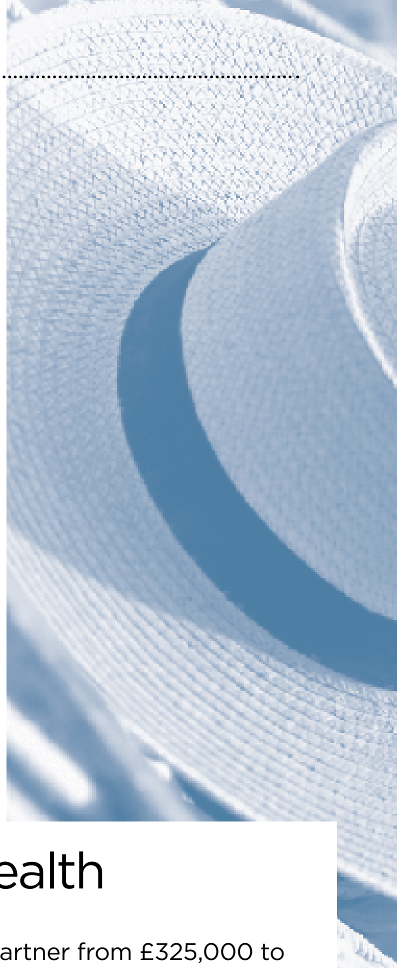
These rules don't apply to trusts which are exempt from the new rules.

> "Not everyone pays Inheritance Tax on their death. It only applies if the taxable value of your estate (including your share of any jointly owned assets and assets held in some types of trusts) when you die is above the £325,000 nil rate band or threshold (2010/11). It is only payable on the excess above this amount."

Inheritance tax nil rate band and rates

Inheritance Tax is charged at the following rate on death:

Inheritance Tax	2010/11 tax year
Taxable value of your estate above which it is charged	£325,000
Rate at which it is charged	40 per cent



Mitigating Inheritance Tax

Transferring assets can seriously improve your wealth

Current rules mean that the survivor of a marriage or civil partnership can benefit from up to double the Inheritance Tax allowance (£650,000 for 2010/11), in addition to the entitlement to the full spouse relief. Inheritance Tax is only paid if the taxable value of your estate when you die is over £325,000 (2010/11). The first £325,000 of a person's estate is known as the Inheritance Tax nil rate band because the rate of Inheritance Tax charged on this amount is currently set at zero per cent, so it is free of tax.

Transferring exempt assets

Where assets are transferred between spouses or civil partners, they are exempt from Inheritance Tax. This can mean that if, on the death of the first spouse or civil partner, they leave all their assets to the survivor, the benefit of the nil rate band to pass on assets to other members of the family, normally the children, tax-free is not used.

Where one party to a marriage or civil partnership dies and does not use their nil rate band to make tax-free bequests to other members of the family, the unused amount can be transferred and used by the survivor's estate on their death. This only applies where the survivor died on or after 9 October 2007.

In effect, spouses and civil partners now have a nil rate band that is worth up to double the amount of the nil rate band that applies on the survivor's death.

Since October 2007, you can transfer any unused Inheritance Tax threshold from a late spouse or civil partner to the second spouse or civil partner when they die. This can increase the Inheritance Tax threshold of the second partner from £325,000 to as much as £650,000 in 2010/11, depending on the circumstances.

Spouse or civil partner Inheritance Tax exemption

Everyone's estate is exempt from Inheritance Tax up to the nil rate band: £325,000 in 2010/11.

Married couples and registered civil partners are also allowed to pass assets from one spouse or civil partner to the other during their lifetime or when they die without having to pay Inheritance Tax, no matter how much they pass on, as long as the person receiving the assets has their permanent home in the UK. This is known as spouse or civil partner exemption.

If someone leaves everything they own to their surviving spouse or civil partner in this way, it's not only exempt from Inheritance Tax but it also means they haven't used any of their own Inheritance Tax threshold or nil rate band. It is therefore available to increase the Inheritance Tax nil rate band of the second spouse or civil partner when they die, even if the second spouse has re-married. Their estate can be worth up to

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£650,000 in 2010/11 before they owe Inheritance Tax.

To transfer the unused threshold, the executors or personal representatives of the second spouse or civil partner to die need to send certain forms and supporting documents to HM Revenue & Customs (HMRC). HMRC calls this 'transferring the nil rate band' from one partner to another.

Transferring the threshold

The threshold can only be transferred on the second death, which must have occurred on or after 9 October 2007 when the rules changed. It doesn't matter when the first spouse or civil partner died, although if it was before 1975 the full nil rate band may not be available to transfer, as the amount of spouse exemption was limited then. There are some situations when the threshold can't be transferred but these are quite rare.

When the second spouse or civil partner dies, the executors or personal representatives of the estate should take the following steps.

Calculating the threshold you can transfer

The size of the first estate doesn't matter. If it was all left to the surviving spouse or civil partner, 100 per cent of the nil rate band was unused and you can transfer the full percentage when the second spouse or civil partner dies even if they die at the same time.

It isn't the unused amount of the first spouse or civil partner's nil rate band that determines what you can transfer to the second spouse or civil partner. It's the unused percentage of the nil rate band that you transfer.

If the deceased made gifts to people in their lifetime that were not exempt, the value of these gifts must first be deducted from the threshold before you can calculate the percentage available to transfer. You may also need to establish whether any of the assets that the first spouse left could have qualified for Business or Property Relief.

You will need all of the following documents from the first death to support a claim:

- a copy of the first will, if there was one
- a copy of the grant of probate (or confirmation in Scotland), or the death certificate if no grant was taken out
- a copy of any 'deed of variation' if one was used to vary (or change) the will

If you need help finding these documents from the first death, contact the relevant court service or general register office for the country you live in. The court service may be able to provide copies of wills or grants; the general register offices may be able to provide copies of death certificates

The relevant forms

You'll need to complete form IHT402 to claim the unused threshold and return this together with form IHT400 and the forms you need for probate (or confirmation in Scotland).

You must make the claim within 24 months from the end of the month in which the second spouse or civil partner dies.

In the following two cases, the rules for transferring a threshold are different:

- if the estate of the first spouse or civil partner had qualified for relief on woodlands or heritage property
- If the surviving spouse or civil partner had an unsecured pension as the 'relevant dependant' of a person who died with an Alternatively Secured Pension

Valuing a deceased person's estate

Reflecting what those assets would reasonably receive in the open market

When valuing a deceased person's estate, you need to include assets (property, possessions and money) they owned at their death and certain assets they gave away during the seven years before they died. The valuation must accurately reflect what those assets would reasonably receive in the open market at the date of death. Valuing the deceased person's estate is one of the first things you need to do as the personal representative. You won't normally be able to take over management of their estate (called 'applying for probate' or sometimes 'applying for a grant of representation/ confirmation') until all or some of any Inheritance Tax that is due has been paid.

But bear in mind that Inheritance Tax is only payable on values above £325,000 (2010/11).

The valuation process

This initially involves taking the value of all the assets owned by the deceased person, together with the value of:

- their share of any assets that they own jointly with someone else
- any assets that are held in a trust, from which they had the right to benefit
- any assets which they had given away, but in which they kept an interest – for instance, if they gave a house to their children but still lived in it rent-free
- certain assets that they gave away within the last seven years

Next, from the total value above, deduct everything that the deceased person owed, for example:

- any outstanding mortgages or other loans
- unpaid bills
- funeral expenses

(If the debts exceed the value of the assets owned by the person who has died, the difference cannot be set against the value of trust property included in the estate.)

The value of all the assets, less the deductible debts, gives you the estate value. The threshold above which the value of estates is taxed at 40 per cent is £325,000 (2010/11).

Use the information available

If you don't know the exact amount or value of any item, such as an Income Tax refund or household bill, you can use an estimated figure. But rather than guessing at a value, try to work out an estimate based on the information available to you.

The forms on which you'll need to record the valuation will differ, depending on the expected valuation amount. You complete a form IHT205 for estates where you don't expect to have to pay Inheritance Tax (called 'excepted estates') and a form IHT400 where you do expect to have to pay. The forms vary for excepted estates in Scotland.

You should be able to value some of the estate assets quite easily, for example, money in bank accounts or stocks and shares. In other instances, you may need the help of a professional valuer (or chartered surveyor for valuing a property). If you do decide to employ a valuer, make sure you ask them to give you the 'open market value' of the asset. This represents the realistic selling price of an asset, not an insurance value or replacement value.

If the affairs of the estate are complicated, you may want to work with a solicitor to help you value the estate and pay any tax due. If you're not using a solicitor you can ask HM Revenue & Customs to use form IHT400 to work out any Inheritance Tax due.

Once you've completed the relevant tax forms, you also need to complete the relevant probate form.

Paying Inheritance Tax - forms you need to complete

Country in which the deceased person lived	Required forms if Inheritance Tax is unlikely to be due ('excepted estates')	Required forms if you expect Inheritance Tax to be due
England or Wales	Probate application form PA1 Inheritance Tax form IHT205	Probate application form PA1 Inheritance Tax form IHT400 Form IHT421 'Probate summary'
Scotland	Form C1 ('Inventory') and form C5 if they died on or after 6 April 2004; otherwise form C1 only	Form C1 ('Inventory') Inheritance Tax form IHT400
Northern Ireland	Inheritance Tax Form IHT205 only	Inheritance Tax form IHT400 Form IHT421 'Probate summary'

Planning your finances

Make sure your estate is shared out exactly as you want it to be

Planning your finances in advance should help you to ensure that when you die everything you own goes where you want it to. Making a will is the first step in ensuring that your estate is shared out exactly as you want it to be.

If you don't make a will, there are rules for sharing out your estate called the Law of Intestacy, which could mean your money going to family members who may not need it, or your unmarried partner or a partner with whom you are not in a civil partnership receiving nothing at all.

If you leave everything to your spouse or civil partner there'll be no Inheritance Tax to pay because they are classed as an exempt beneficiary. Or you may decide to use your tax-free allowance to give some of your estate to someone else or to a family trust.

Good reasons to make a will

A will sets out who is to benefit from your property and possessions (your estate) after your death. There are many good reasons to make a will:

- you can decide how your assets are shared – if you don't have a will, the law says who gets what
- if you're an unmarried couple (whether or not it's a same-sex relationship), you can make sure your partner is provided for
- if you're divorced, you can decide whether to leave anything to your former partner
- you can make sure you don't pay more Inheritance Tax than necessary

Before you write your will, it's a good idea to think about what you want included in it. You should consider:

- how much money and what property and possessions you have
- who you want to benefit from your will
- who should look after any children under 18 years of age
- who is going to sort out your estate and carry out your wishes after your death, your executor

Passing on your estate

An executor is the person responsible for passing on your estate. You can appoint an executor by naming them in your will. The courts can also appoint other people to be responsible for doing this job.

Once you've made your will, it is important to keep it in a safe place and tell your executor, close friend or relative where it is.

It is advisable to review your will every five years and after any major change in your life, such as getting separated, married or divorced, having a child or moving house. Any change must be by 'codicil' (an addition, amendment or supplement to a will) or by making a new will.

Scottish law on inheritance differs from English law.

"If you don't make a will, there are rules for sharing out your estate called the Law of Intestacy, which could mean your money going to family members who may not need it, or your unmarried partner or a partner with whom you are not in a civil partnership receiving nothing at all."

Financial reasons to make a will

Putting it off could mean that your spouse or civil partner receives less

It's easy to put off making a will. But if you die without one, your assets may be distributed according to the law rather than your wishes. This could mean that your spouse receives less, or that the money goes to family members who may not need it.

If you and your spouse or civil partner own your home as 'joint tenants', then the surviving spouse or civil partner automatically inherits all of the property.

If you are 'tenants in common' you each own a proportion (normally half) of the property and can pass that half on as you want.

A solicitor will be able to help you should you want to change the way you own your property.

Planning to give your home away to your children while you're still alive

You also need to bear in mind, if you are planning to give your home away to your children while you're still alive, that:

- gifts to your children, unlike gifts to your spouse or civil partner, aren't exempt from Inheritance Tax unless you live for seven years after making them
- if you keep living in your home without paying a full market rent (which your children pay tax on) it's not an 'outright gift' but a ' gift with reservation', so it's still treated as part of your estate, and so liable for Inheritance Tax
- following a change of rules on 6 April 2005, you may be liable to pay an Income Tax charge on the 'benefit' you get from having free or low cost use of property you formerly owned (or provided the funds to purchase)
- once you have given your home away, your children own it and it becomes part of their assets. So if they are bankrupted or divorced, your home may have to be sold to pay creditors or to fund part of a divorce settlement
- if your children sell your home, and it is not their main home, they will have to pay Capital Gains Tax on any increase in its value

If you don't have a will there are rules for deciding who inherits your assets, depending on your personal circumstances. The following rules are for deaths on or after 1 July 2009 in England and Wales; the law differs if you die intestate (without a will) in Scotland or Northern Ireland. The rates that applied before that date are shown in brackets.

If you're married or in a civil partnership and there are no children

The husband, wife or civil partner won't automatically get everything, although they will receive:

- personal items, such as household articles and cars, but nothing used for business purposes
- £400,000 (£200,000) free of tax – or the whole estate if it was less than £400,000 (£200,000)
- half of the rest of the estate

The other half of the rest of the estate will be shared by the following:

- surviving parents
- if there are no surviving parents, any brothers and sisters (who shared the same two parents as the deceased) will get a share (or their children if they died while the deceased was still alive)
- if the deceased has none of the above, the husband, wife or registered civil partner will get everything

If you're married or in a civil partnership and there were children

Your husband, wife or civil partner won't automatically get everything, although they will receive:

- personal items, such as household articles and cars, but nothing used for business purposes
- £250,000 (£125,000) free of tax, or the whole of the estate if it was less than £250,000 (£125,000)
- a life interest in half of the rest of the estate (on his or her death this will pass to the children)

The rest of the estate will be shared by the children.

If you are partners but aren't married or in a civil partnership

If you aren't married or registered civil partners, you won't automatically get a share of your partner's estate if they die without making a will.

If they haven't provided for you in some other way, your only option is to make a claim under the Inheritance (Provision for Family and Dependants) Act 1975.

If there is no surviving spouse/civil partner

The estate is distributed as follows:

- to surviving children in equal shares (or to their children if they died while the deceased was still alive)
- if there are no children, to parents (equally, if both alive)
- if there are no surviving parents, to brothers and sisters (who shared the same two parents as the deceased), or to their children if they died while the deceased was still alive
- if there are no brothers or sisters then to half brothers or sisters (or to their children if they died while the deceased was still alive)
- if none of the above then to grandparents (equally if more than one)
- if there are no grandparents to aunts and uncles (or their children if they died while the deceased was still alive)
- if none of the above, then to half uncles or aunts (or their children if they died while the deceased was still alive)
- to the Crown if there are none of the above

It'll take longer to sort out your affairs if you don't have a will. This could mean extra distress for your relatives and dependants until they can draw money from your estate.

If you feel that you have not received reasonable financial provision from the estate, you may be able to make a claim under the Inheritance (Provision for Family and Dependants) Act 1975, applicable in England and Wales. To make a claim you must have a particular type of relationship with the deceased, such as child, spouse, civil partner, dependant or cohabitee.

Bear in mind that if you were living with the deceased as a partner but weren't married or in a civil partnership, you'll need to show that you've been 'maintained either wholly or partly by the deceased'. This can be difficult to prove if you've both contributed to your life together. You need to make a claim within six months of the date of the Grant of Letters of Administration.

Beneficiaries

Leaving your assets, who gets what?

If you leave everything to your husband, wife or civil partner, in this instance there usually won't be any Inheritance Tax to pay because a husband, wife or civil partner counts as an 'exempt beneficiary'. But bear in mind that their estate will be worth more when they die, so more Inheritance Tax may have to be paid then.

However, if you are domiciled (have your permanent home) in the UK when you die but your spouse or civil partner isn't, you can only leave them £55,000 tax-free.

Other beneficiaries

You can leave up to £325,000 tax-free to anyone in your will, not just your spouse or civil partner (2010/11). So you could, for example, give some of your estate to someone else or a family trust. Inheritance Tax is then payable at 40 per cent on any amount you leave above this.

UK Charities

Inheritance Tax isn't payable on any money or assets you leave to a registered UK charity – these transfers are exempt.

Wills, trusts and financial planning

As well as making a will, you can use a family trust to pass on your assets in the way you want to. You can provide in your will for specific assets to pass into a trust or for a trust to start once the estate is finalised. You can also use a trust to look after assets you want to pass on to beneficiaries who can't immediately manage their own affairs (either because of their age or a disability).

You can use different types of family trust depending on what you want to do and the circumstances. If you are planning to set up a trust you should receive specialist advice. If you expect the trust to be liable to tax on income or gains you need to inform HM Revenue & Customs Trusts as soon as the trust is set-up. For most types of trust, there will be an immediate Inheritance Tax charge if the transfer takes you above the Inheritance Tax threshold. There will also be Inheritance Tax charges when assets leave the trust.

A gift with reservation

Getting the full benefit of a gift to the total exclusion of the donor

A gift with reservation is a gift that is not fully given away. Where gifts with reservation were made on or after 18 March 1986, you can include the assets as part of your estate but there is no seven year limit as there is for outright gifts. A gift may begin as a gift with reservation but some time later the reservation may cease.

In order for a gift to be effective for exemption from Inheritance Tax, the person receiving the gift must get the full benefit of the gift to the total exclusion of the donor. Otherwise, the gift is not a gift for Inheritance Tax purposes.

For example, if you give your house to your child but continue to live there rent free, that would be a gift with reservation. If, after two years, you start to pay a market rent for living in the house, the reservation ceases when you first pay the rent. The gift then becomes an outright gift at that point and the seven year period runs from the date the reservation ceased. Or a gift may start as an outright gift and then become a gift with reservation.

Alternatively, if you give your house to your child and continue to live there but pay full market rent, there is no reservation. If over time you stop paying rent or the rent does not increase, so it is no longer market rent, a reservation will occur at the time the rent stops or ceases to be market rent.

The value of a gift for Inheritance Tax is the amount of the loss to your estate. If you make a cash gift, the loss is the same value as the gift. But this is not the case with all gifts.

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Giving away wealth tax-efficiently

Passing on parts of an estate without it being subject to Inheritance Tax

There are some important exemptions that allow you to legally pass your estate on to others, both before and after your death, without it being subject to Inheritance Tax.

Exempt beneficiaries

You can give things away to certain people and organisations without having to pay any Inheritance Tax. These gifts, which are exempt whether you make them during your lifetime or in your will, include gifts to:

- your husband, wife or civil partner, even if you're legally separated (but not if you've divorced or the civil partnership has dissolved), as long as you both have a permanent home in the UK
- UK charities
- some national institutions, including national museums, universities and the National Trust
- UK political parties

But, bear in mind that gifts to your unmarried partner or a partner with whom you've not formed a civil partnership aren't exempt.

Exempt gifts

Some gifts are exempt from Inheritance Tax because of the type of gift or the reason for making it. These include:

Wedding gifts/civil partnership ceremony gifts

Wedding or civil partnership ceremony gifts (to either of the couple) are exempt from Inheritance Tax up to certain amounts:

- parents can each give £5,000
- grandparents and other relatives can each give £2,500
- anyone else can give £1,000

You have to make the gift on or shortly before the date of the wedding or civil partnership ceremony. If it is called off and you still make the gift, this exemption won't apply.

Small gifts

You can make small gifts, up to the value of £250, to as many people as you like in any one tax year (6 April to the following 5 April) without them being liable for Inheritance Tax.

But you can't give a larger sum – £500, for example – and claim exemption for the first £250. And you can't use this exemption with any other exemption when giving to the same person. In other words, you can't combine a 'small gifts exemption' with a 'wedding/civil partnership ceremony gift exemption' and give one of your children £5,250 when they get married or form a civil partnership.

Annual exemption

You can give away £3,000 in each tax year without paying Inheritance Tax. You can carry forward all or any part of the £3,000 exemption you don't use to the next year but no further. This means you could give away up to £6,000 in any one year if you hadn't used any of your exemption from the year before.

You can't use your 'annual exemption' and your 'small gifts exemption' together to give someone £3,250. But you can use your ' annual exemption' with any other exemption, such as the ' wedding/civil partnership ceremony gift exemption'. So, if one of your children marries or forms a civil partnership you can give them £5,000 under the 'wedding/civil partnership gift exemption' and £3,000 under the 'annual exemption', a total of £8,000.

Gifts that are part of your normal expenditure

Any gifts you make out of your after-tax income (but not your capital) are exempt from Inheritance Tax if they're part of your regular expenditure. This includes:

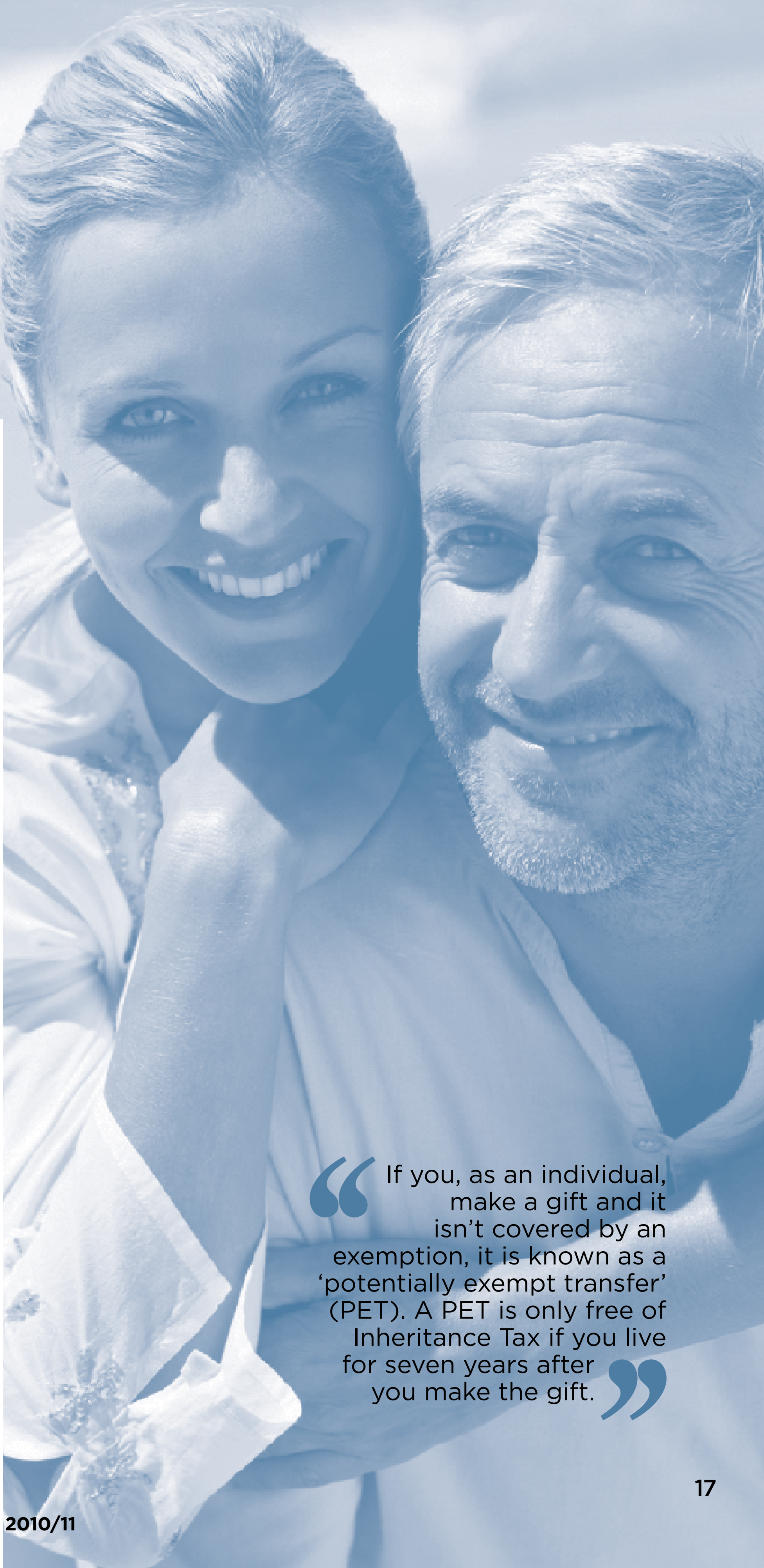
- monthly or other regular payments to someone, including gifts for Christmas, birthdays or wedding/civil partnership anniversaries
- regular premiums on a life insurance policy (for you or someone else)

It's a good idea to keep a record of your after-tax income and your normal expenditure, including gifts you make regularly. This will show that the gifts are regular and that you have enough income to cover them and your usual day-to-day expenditure without having to draw on your capital.

Maintenance gifts

You can also make Inheritance Tax-free maintenance payments to:

- your husband or wife
- your ex-spouse or former civil partner
- relatives who are dependent on you because of old age or infirmity
- your children (including adopted children and step-children) who are under 18 or in full-time education



Potentially exempt transfers

If you, as an individual, make a gift and it isn't covered by an exemption, it is known as a 'potentially exempt transfer' (PET). A PET is only free of Inheritance Tax if you live for seven years after you make the gift.

Gifts that count as a PET are gifts that you, as an individual, make to:

- another individual
- a trust for someone who is disabled
- a bereaved minor's trust where, as the beneficiary of an Interest In Possession (IIP) trust (with an immediate entitlement following the death of the person who set up the trust), you decide to give up the right to receive anything from that trust or that right comes to an end for any other reason during your lifetime

Only 'outright gifts' count as PETs

If you make a gift with strings attached (technically known as a 'gift with reservation of benefit'), it will still count as part of your estate, no matter how long you live after making it. For example, if you give your house to your children and carry on living there without paying them a full commercial rent, the value of your house will still be liable for Inheritance Tax.

In some circumstances a gift with strings attached might give rise to an Income Tax charge on the donor based on the value of the benefit they retain. In this case the donor can choose whether to pay the Income Tax or have the gift treated as a gift with reservation.

"If you, as an individual, make a gift and it isn't covered by an exemption, it is known as a 'potentially exempt transfer' (PET). A PET is only free of Inheritance Tax if you live for seven years after you make the gift."

Distributing an estate

Handling the estate of someone who's died

Probate (or confirmation in Scotland) is the system you go through if you're handling the estate of someone who's died. It gives you the legal right to distribute the estate according to the deceased's wishes. Inheritance Tax forms are part of the process even if the estate doesn't owe Inheritance Tax.

If the deceased left a will, it usually names one or more 'executors' or 'personal representatives', who apply for the grant of probate (also called a 'grant of representation').

Grant of letters of administration

If the deceased died without leaving a will, a blood relative can apply for a 'grant of letters of administration', depending on a strict next-of-kin order of priority defined in the 'rules of intestacy'. This makes them the 'administrator'.

If the named executor does not want to act, someone else named in the will can apply to be the administrator (again, depending on a strict order of priority). The catch-all term for an executor or administrator is 'personal representative'.

Scotland and Northern Ireland have different legal systems, processes and terms. The terminology is generally the same in Northern Ireland. However, in Scotland the process is called 'confirmation' and the personal representative applies for a 'grant of confirmation'. Different forms are required in Scotland and Northern Ireland too.

The probate process

An overview of the steps to take in England and Wales:

- value the estate and speak to the deceased's banks and other financial organisations to establish whether you need probate (or confirmation)
- if you do need probate, complete the relevant probate application and Inheritance Tax forms, these differ depending on whether or not the estate owes Inheritance Tax
- send the forms to the relevant government bodies (in England and Wales, that's the Controlling Probate Registry and HM Revenue & Customs)
- pay whatever Inheritance Tax is due
- attend an interview at the Probate registry and swear an oath
- wait for the grant of probate (or confirmation) to arrive in the post, banks and other organisations will ask to see this before they allow access to the deceased's assets
- pay any debts owed by the estate and then distribute the estate

When you might not need probate

Probate may not be needed if the estate:

- when you as the executor or personal is a low-value estate - generally worth less than £5,000 (though this figure can vary) and doesn't include land, property or shares
- passes to the surviving spouse/civil partner because it was held in joint names

When you as the executor or personal representative contact the deceased's bank or other financial institutions, they will either release the funds or tell you to get a grant of probate (or confirmation) first. Some banks and financial institutions may insist on a grant before giving you access to even a small amount of money.

When probate is usually needed

You will almost certainly need probate if the estate includes:

- assets generally worth more than £5,000 in total (though again this figure varies)
- land or property in the name of the deceased, or held as 'tenants in common' with someone else
- stocks or shares
- some insurance policies

If you're going through the probate process, you'll have to fill in an Inheritance Tax form in addition to the PA1 Probate Application form, even if the estate doesn't owe Inheritance Tax. The estate will only owe Inheritance Tax if it's over the £325,000 nil rate band (2010/11).

Inheritance Tax forms

The Inheritance Tax forms you need depend on where the deceased lived, England, Wales, Scotland, Northern Ireland, or abroad, the size

of the estate and whether it is an 'excepted estate'.

Usually, if an estate has no Inheritance Tax to pay, it will be an excepted estate. However, this is not always the case. Some estates that don't owe Inheritance Tax still have to return a full Inheritance Tax account.

If you're not sure whether the deceased's estate is an excepted estate, you'll need to start by filling in a Return of Estate Information form to find out (form IHT205 in England and Wales). Depending on your answers to certain questions, the form will make clear when you should stop filling out that form and switch to form IHT400 (a full Inheritance Tax account) instead.

Probate Application

If you have filled in form IHT205, send that and form PA1 Probate Application to your nearest Controlling Probate Registry along with the original will, the death certificate, and the probate fee. The process is different in Scotland and Northern Ireland.

If the estate owes Inheritance Tax, you won't get the grant of probate (or confirmation) unless you pay some or all of the Inheritance Tax first. The 'due date' is six months after the date of death.

Once you've paid any Inheritance Tax and sent off the forms to the Controlling Probate Registry, the process takes about six weeks if there are no problems. These are the stages:

- examination of forms and documents - Probate Registry staff check the forms and documents and prepare the probate papers
- probate interview - all the executors who have applied attend an interview to review the forms and swear an oath, either at the Controlling Probate Registry or interview venue
- probate is granted - the grant of probate is sent to you by post from a district Probate Registry

After you receive the grant of probate (or confirmation) and have paid any Inheritance Tax due, you can collect in the money from the estate, pay any debts owed by the estate and then distribute the estate according to the will or the rules of intestacy.

Applying for probate – forms you need to complete

Country in which the deceased person lived	Required forms if Inheritance Tax is unlikely to be due ('excepted estates')	Required forms if you expect Inheritance Tax to be due
England or Wales	Probate application form PA1 Inheritance Tax form IHT205	Probate application form PA1 Inheritance Tax form IHT400 Form IHT421 'Probate summary'
Scotland	Form C1 ('Inventory') and form C5 if they died on or after 6 April 2004; otherwise form C1 only	Form C1 ('Inventory') Inheritance Tax form IHT400
Northern Ireland	Inheritance Tax Form IHT205 only	Inheritance Tax form IHT400 Form IHT421 'Probate summary'

Transferring assets

Using a trust to pass assets to beneficiaries

Trusts may incur an Inheritance Tax charge when assets are transferred into or out of them or when they reach a ten-year anniversary. The person who puts assets into a trust is known as a 'settlor'. A transfer of assets into a trust can include property, land or cash in the form of:

- a gift made during a person's lifetime
- a transfer or transaction that reduces the value of the settlor's estate (for example an asset is sold to trustees at less than its market value) - the loss to the person's estate is considered a gift or transfer
- a 'potentially exempt transfer' whereby no further Inheritance Tax is due if the person making the transfer survives at least seven years. For transfers after 22 March 2006 this will only apply when the trust is a disabled trust
- a 'gift with reservation' where the transferee still benefits from the gift

If you die within seven years of making a transfer into a trust extra Inheritance Tax will be due at the full amount of 40 per cent (rather than the reduced amount of 20 per cent for lifetime transfers).

In this case your personal representative, who manages your estate when you die, will have to pay a further 20 per cent out of your estate on the value of the original transfer. If no Inheritance Tax was due when you made the transfer, the value of the transfer is added to your estate when working out whether any Inheritance Tax is due.

Settled property

The act of putting an asset into a trust is often known as 'making a settlement' or 'settling property'. For Inheritance Tax purposes, each item of settled property has its own separate identity.

This means, for example, that one item of settled property within a trust may be for the trustees to use at their discretion and therefore treated like a discretionary trust. Another item within the same trust may be set aside for a disabled person and treated like a trust for a disabled person. In this case, there will be different Inheritance Tax rules for each item of settled property.

Even though different items of settled property may receive different tax treatment, it is always the total value of all the settled property in a trust that is used to work out whether a trust exceeds the Inheritance Tax threshold and whether Inheritance Tax is due.

If you make a gift to any type of trust but continue to benefit from the gift you will pay 20 per cent on the transfer and the gift will still count as part of your estate. These are known as gifts 'with reservation of benefit'.

Avoiding double taxation

To avoid double taxation, only the higher of these charges is applied and you won't ever pay more than 40 per cent Inheritance Tax. However, if the person who retains the benefit gives this up more than seven years before dying, the gift is treated as a potentially exempt transfer and there is no further liability if the transferor survives for a further seven years.

From a trusts perspective, there are four main occasions when Inheritance Tax may apply to trusts:

- when assets are transferred - or settled - into a trust
- when a trust reaches a ten-year anniversary
- when settled property is transferred out of a trust or the trust comes to an end
- when someone dies and a trust is involved when sorting out their estate

Relevant property

You have to pay Inheritance Tax on 'relevant property'. Relevant property covers all settled property in most kinds of trust and includes money, shares, houses, land or any other assets. Most property held in trusts counts as relevant property. But property in the following types of trust doesn't count as 'relevant property':

- interest in possession trusts with assets that were put in before 22 March 2006
- an immediate post-death interest trust
- a transitional serial interest trust
- a disabled person's interest trust
- a trust for a bereaved minor
- an age 18 to 25 trust

Excluded property

Inheritance Tax is not paid on 'excluded property' (although the value of the excluded property may be brought in to calculate the rate of tax on certain exit charges and ten-year anniversary charges). Types of excluded property can include:

- property situated outside the UK that is owned by trustees and was settled by someone who was permanently living outside the UK at the time of making the settlement
- government securities, known as FOTRA (free of tax to residents abroad)

Declaring and paying Inheritance Tax

There are two main forms you will need to use to declare and pay Inheritance Tax for your trust:

- IHT400 Inheritance Tax Account - used to show what Inheritance Tax is due when someone has died

- IHT100 Inheritance Tax Account - used to show what Inheritance Tax is due from 'lifetime events', for example a transfer into or out of a trust, or a ten-year charge on a trust

Inheritance Tax is charged up to a maximum of 6 per cent on assets or 'property' that is transferred out of a trust. The exit charge, which is sometimes called the 'proportionate charge', applies to all transfers of 'relevant property'.

A transfer out of trust can occur when:

- the trust comes to an end
- some of the assets within the trust are distributed to beneficiaries
- a beneficiary becomes absolutely entitled to enjoy an asset
- an asset becomes part of a 'special trust' (for example a charitable trust or trust for a disabled person) and therefore ceases to be 'relevant property'
- the trustees enter into a non-commercial transaction that reduces the value of the trust fund

There are some occasions when there is no Inheritance Tax exit charge. These apply even where the trust is a 'relevant property' trust, for instance, it isn't charged:

- on payments by trustees of costs or expenses incurred on assets held as relevant property
- on some payments of capital to the beneficiary where Income Tax will be due
- when the asset is transferred out of the trust within three months of setting up a trust, or within three months following a ten-year anniversary
- when the assets are 'excluded property' foreign assets have this status if the settlor was domiciled abroad

Passing assets to beneficiaries

You may decide to use a trust to pass assets to beneficiaries, particularly those who aren't immediately able to look after their own affairs. If you do use a trust to give something away, this removes it from your estate provided you don't use it or get any benefit from it. But bear in mind that gifts into trust may be liable to Inheritance Tax.

Trusts offer a means of holding and managing money or property for people who may not be ready or able to manage it for themselves. Used in conjunction with a will, they can also help ensure that your assets are passed on in accordance with your wishes after you die.

Writing a will

When writing a will, there are several kinds of trust that can be used to help minimise an Inheritance Tax liability. From an Inheritance Tax perspective, an 'interest in possession' trust is one where a beneficiary has the right to use the property within the trust or receive any income from it. Assets put into an interest in possession trust before 22 March 2006 are not considered to be relevant property, so there is no ten-yearly charge.

During the life of the trust there are no exit charges as long as the asset stays in the trust and remains the 'interest' of the beneficiary.

If the trust also contains assets put in on or after 22 March 2006, these assets are treated as relevant property and are potentially liable to the ten-yearly charges.

Trusts are very complicated, and you may have to pay Inheritance Tax and/or Capital Gains Tax when putting property into the trust. If you want to create a trust you should seek professional advice.

Wealth preservation

Making the most of different solutions

Decreasing term assurance

Decreasing term assurance can be arranged to cover a potential Inheritance Tax liability and used as a *Gift Inter Vivos* policy (a gift given during the life of the grantor who no longer has any rights to the property and can not get it back without the permission of the party it was gifted to). This is a type of decreasing term plan that actually reduces at the same rate as the chargeable Inheritance Tax on an estate as a result of a Potentially Exempt Transfer (PET).

For example, if you gift part of your estate away before death, then that part is classed as a PET, meaning that for a period of seven years there could be tax due on the transfer. This amount of tax reduces by a set amount each year for seven years.

The *Gift Inter Vivos* plan is designed to follow that reduction to ensure sufficient money is available to meet the bill if the person who gifted the estate dies before the end of the seven-year period.

Such policies should be written in an appropriate trust, so that the proceeds fall outside your estate.

Business and agricultural property

Business and agricultural property are exempt from Inheritance Tax.

Business Property relief: To qualify, the property must be 'relevant business property' and must have been owned by the transferor for the period of two years immediately preceding death. Where death occurred after 10 March 1992, relief is given by reducing the value of the asset by 100 per cent. Prior to 10 March 1992, the relief was 50 per cent.

Agricultural Property relief: Agricultural property is defined as 'agricultural land or pasture and includes woodland and any buildings used in connection with the intensive rearing of livestock or fish if the woodland or building is occupied with agricultural land or pasture and the occupation is ancillary to that of the agricultural land or pasture; and also includes such cottages, farm buildings and farmhouses, together with the land occupied with them as are of a character appropriate to the property'. Where death occurred after 10 March 1992, relief is given by reducing the value of the property by 100 per cent (certain conditions apply). Prior to that date the relief was 50 per cent.

Woodlands relief

There is a specific relief for transfers of woodland on death. However, this has become less important since the introduction of 100 per cent relief for businesses that qualify as relevant business property.

Where an estate includes woodlands forming part of a business, business relief may be available if the ordinary conditions for that relief are satisfied.

When a woodland in the United Kingdom is transferred on death, the person who would be liable for the tax can elect to have the value of the timber – that is, the trees and underwood (but not the underlying land) – excluded from the deceased's estate.

If the timber is later disposed of, its value at the time will be subject to Inheritance Tax. Relief is available if:

- an election is made within two years of the death, though the Board of HM Revenue & Customs have discretion to accept late elections, and
- the deceased was the beneficial owner of the woodlands for at least five years immediately before death or became beneficially entitled to it by gift or inheritance

The Pre-Owned Assets Tax

Pre-Owned Assets Tax (POAT), which came into effect on 6 April 2005, clamped down on arrangements whereby parents gifted property to children or other family members while continuing to live in the property without paying a full market rent.

POAT is charged at up to 40 per cent on the benefit to an individual continuing to live in a property that they have gifted but are not paying a full rent, and where the arrangement is not caught by the Gift with Reservation rules.

So anyone who has implemented such a scheme since March 1986 could fall within the POAT net and be liable to an income tax charge of up to 40 per cent of the annual market rental value of the property.

Alternatively, you can elect by 31 January following the end of the tax year in which the benefit first arises that the property remains in your estate.

Rental valuations of the property must be carried out every five years by an independent valuer.

"Where an estate includes woodlands forming part of a business, business relief may be available if the ordinary conditions for that relief are satisfied."

Paying Inheritance Tax

Reflecting an accurate open market value

The 'personal representative' (the person nominated to handle the affairs of the deceased person) arranges to pay any Inheritance Tax that is due. You usually nominate the personal representative in your will (you can nominate more than one), in which case they are known as the 'executor'. If you die without leaving a will a court can nominate the personal representative, in which case they are known as the 'administrator'.

If you have been nominated as someone's personal representative you have to value all of the assets that the deceased person owned. This valuation must accurately reflect what the assets would reasonably receive in the open market at the date of death.

In most cases, if an estate owes Inheritance Tax, you must usually pay it within six months after the death or interest will be charged. In some cases, you can pay by instalments once a year over ten years. The 'due date' differs if Inheritance Tax is due on a trust.

Forms you need to complete

If the estate is unlikely to be subject to Inheritance Tax (an 'excepted estate')

Country in which the deceased person lived	Required forms for excepted estates
England	Form IHT205 and form PA1 – application for probate
Scotland	Form C1 ('Inventory') and form C5 if they died on or after 6 April 2004; if they died before this date form C1 only
Northern Ireland	Form IH205 only

If the estate is likely to be subject to Inheritance Tax

In this case you complete form IHT400 plus any relevant supplementary forms (these are indicated on the IHT400).

You also complete:

Form IHT421 'Probate summary' if the deceased person lived in England, Wales or Northern Ireland

Probate application form PA1 if the deceased lived in England or Wales

Form C1 Inventory if the deceased lived in Scotland

(In Northern Ireland you only complete a probate application form at interview.)

The due date for Inheritance Tax is six months after the end of the month in which the deceased died. You must pay Inheritance Tax before you can get the grant of probate (or confirmation in Scotland).

Month when the person died	Inheritance Tax due date
January	31 July
February	31 August
March	30 September
April	31 October
May	30 November
June	31 December
July	31 January
August	28/29 February
September	31 March
October	30 April
November	31 May
December	30 June

If you're paying Inheritance Tax by instalments, the first instalment is due six months after the death on the due date. The second instalment is due 12 months after that.

If someone gives you a gift and doesn't survive for seven years after making it and the gift is liable to Inheritance Tax, the payment on the gift is also due six months after the death on the due date.

If the value of the assets being transferred exceeds the Inheritance Tax threshold £325,000 (2010/11), Inheritance Tax can be due:

- on transfers into a trust
- on transfers out of a trust
- every ten years after the original transfer into trust
- the due date depends on when the assets are transferred
- for transfers made between 6 April and 1 October, the due date is 30 April in the following year
- for transfers made between 30 September one year and 6 April the next, the due date is six months after the end of the month in which the transfer was made

If you don't pay Inheritance Tax in full by the due date, HM Revenue & Customs (HMRC) will charge interest on the amount outstanding, whatever your reason for not paying by the due date. It also charges interest if you pay by annual instalments.

If Inheritance Tax is due, you have 12 months from the end of the month in which the death occurred to send in a full Inheritance Tax account, this includes form IHT400, any supplementary pages and papers relating to probate (or confirmation in Scotland).

Unless you have a reasonable excuse for not delivering a full and accurate account within 12 months, you may have to pay a penalty in addition to any interest you owe.

Inheritance Tax glossary

Common estate planning terms

Administration
Dealing with the affairs and estate of a person who has died, including collecting their assets, paying their debts and paying the residue to the people who are to benefit.

Affidavit
A document giving evidence which is sworn in front of a solicitor or other person who can administer oaths.

Agricultural Property Relief (APR)
Relief from Inheritance Tax for the agricultural value of some farms and farmhouses (the value if the land and buildings could only be used for agricultural purposes and not the open market value). Various conditions apply, including a minimum ownership period.

Beneficiary
A person or organisation who will receive assets from the estate of the deceased.

Bequests and Legacies
Bequests and legacies are names for gifts left in a will.

Business Property Relief
Relief from Inheritance Tax for businesses; a minimum ownership period applies and the business or interest in the business must fulfil the conditions.

Capital Gains Tax
This is tax which may be payable on a disposal (for example when you sell an asset) if you make a chargeable gain. Usually you have made a gain if the asset is worth more at disposal than it was when you acquired it. A disposal is not only a sale for moneys worth. You will only pay Capital Gains Tax on capital monies (monies that you received) that do not form part of your income. The tax applies not to the value of the asset but to the increase in value.

Caveat
A notice entered at the Probate Registry, for example, if you have entered a caveat you will be warned before any Grant of Representation is issued.

Chattels
Assets of a person other than land – for example, jewellery, ornaments, clothes, cars, animals, furniture and so on.

Charity
A charity is an organisation that has as its aim purposes which are exclusively 'charitable' (as recognised by law), such as the relief of poverty or promoting education. Charities can be structured in a variety of ways – for example, as a company with a board of directors or as a trust fund with a board of trustees. Charities must be for the public benefit. Most charities must register with the Charities Commission. Charities are strictly regulated.

Codicil
An addition to a will which may change, modify, delete, extend or add to a will.

Deed of Variation
A document that can vary the division of a person's estate after they have died, either by changing their will retrospectively or altering the persons entitled on an intestacy (where there is no will or the beneficiaries no longer exist). This must be done within two years of the person's death.

Discretionary Trusts
A trust where the trustees can choose which beneficiaries (if any) should receive income and or capital. They are a flexible way of setting property aside for the benefit of one or more persons.

Domicile
Your domicile will affect whether you pay Inheritance Tax on particular assets and can affect how much Inheritance Tax you pay. Domicile is not the same as residence.

Estate
All the property and assets of the person who has died.

Executor
This is the personal representative (see below) who has been appointed by the will or codicil.

Guardian
A guardian will have parental responsibility for any child (under 18) of whom they are named guardian. Parental responsibility means legal authority to act in relation to a child on such matters as medical care, where they are to live, their education and what surname they should be known by. Guardians may be appointed by a parent who has parental responsibility, an existing guardian or the Court. If you name a guardian in your will, the appointment may not take effect if your child has a surviving parent with parental responsibility.

Inheritance Tax
A tax on the value of a person's estate on their death and also on the value of certain gifts made by an individual during their lifetime. You may be subject to Inheritance Tax

on all your assets everywhere in the world if you are domiciled in England & Wales. Inheritance Tax also applies to most types of trusts and may be charged when assets are added to or leave the trusts and on the ten-yearly anniversaries of the trust's creation.

Intestate/Intestacy
The rules that govern where a person's estate is to pass and who can deal with the estate in the absence of a will.

Joint Tenancy
A way of co-owning land and other property. On the death of one of the co-owners, the other takes their share by survivorship. For example, if you and your spouse own your home as joint tenants it will automatically pass to the surviving spouse when one of you dies. Your share of your house will not be part of your estate as it passes automatically.

Letters of Administration
A grant of representation where there is no valid will, or there is a will but no executor appointed.

Life Tenant
This is a person who is entitled to benefit from a trust during their lifetime. They cannot have the capital in the trust fund; they are entitled only to the income or enjoyment of the property. For example, if the trust fund was a house, the beneficiary would be entitled to live there.

Personal Representative
The person who is dealing with the administration of the estate of the person who has died.

Potentially Exempt Transfer (PET)
This is an outright gift by an individual to another individual or certain types of trusts. If the giver (donor) survives the gift by seven years it will become completely exempt from Inheritance Tax, and will be outside the donor's estate for the purposes of calculating Inheritance Tax.

Power of Attorney
This is a formal document giving legal authority from one person (the donor) to another (the attorney) so that the Attorney may act on behalf of their principal. Power of Attorney may be an ordinary General Power or it may be a Lasting Power of Attorney.

Lasting Power of Attorney
A Lasting Power of Attorney can relate to your property and affairs or your personal welfare, i.e. decisions about your medical treatment. In order to make a Lasting Power of Attorney you must have mental capacity to do so, which must be certified by a certificate provider. An ordinary General Power of Attorney will come to an end if you lose your mental capacity but a Lasting Power of Attorney will not.

Probate (Grant of)
The 'Proving' of a will by sending it to the Probate Registry.

Residue
The remainder of the estate of the person who has died after all their debts have been paid and any specific gifts they made under their will have also been paid.

Revocation (of will)
This is the process by which someone cancels or takes back a will (or codicil) made previously when they no longer intend that will to take effect. The Testator (person who made a will or codicil) must have mental capacity to revoke the will (or codicil). The effect of revocation is that any earlier will is resurrected and will take effect as if the later cancelled will does not exist. If there is no previous will then the person revoking their will becomes intestate. Most new wills contain an explicit clause stating that they revoke any previous wills. There are formal requirements for revocation of a will as there are for making a will.

Statutory Legacy
If a person dies intestate with a spouse or civil partner, the statutory legacy is the amount of the deceased's estate that their spouse or civil partner will receive. A common misconception is that the spouse or civil partner will automatically receive all of the estate of the person who has died intestate, but this is not necessarily the case if there are surviving children and it is therefore desirable to make a will to ensure that your spouse or civil partner inherits all that you intend them to take.

Testator/Testatrix
The person making a will (male or female).

A Trust
A legal relationship in which one or more persons hold property for the benefit of others (the beneficiaries). A trustee is the person who is acting in the trust and holds the property for the benefit of someone else.

A Will
The formal document known as a 'testamentary disposition' by which somebody confirms their wishes as to the division of their estate on death.

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