



## Taxation of discretionary and bare trusts

2024-25

	Discretionary trust	Bare trust
--	---------------------	------------

### Income Tax (IT) real assets

Person liable for IT on income received by trust		Trustees	Beneficiary
Tax rates applying on:	Non-dividend income	0% if under £500. 45% on £501 and over	0%, 20%, 40%, 45%
	Dividend income	0% if under £500. 39.35% on £501 and over	0%, 8.75%, 33.75%, 39.35%

### Investment bonds held in trust

	Discretionary trust	Bare trust
Person liable for chargeable gain	Settlor if alive and UK resident (tax allowances and top slicing relief could apply) Trustees if settlor previously died or no longer UK resident Beneficiary when they benefit (tax allowances and top slicing relief could apply)	Beneficiary* (tax allowances and top slicing relief could apply) * Parental settlement rule apply if bare trust created by parents and the beneficiary is a minor

## Capital Gains Tax (CGT) non-residential property

Person liable for CGT on capital gains made by the trustees		Trustees	Beneficiary
Tax rates applying on:	Capital gains	20%	10%, 20%
	CGT annual exemption	£1,500	£3,000

## Inheritance Tax (IHT)

Lifetime gift into trust	Chargeable lifetime transfer by settlor	Potentially exempt transfer by settlor
Other IHT charges	Entry, 10-year Principal and exit charges can apply	Trust fund included within beneficiary's IHT estate to the extent they benefit as set from the creation of trust

**Note 1:** Gains on disposals of chargeable assets by the trustees of a discretionary trust are reduced by an annual exemption of £1,500 which is equivalent to half an individual's exemption. The annual exemption is shared equally by the number of settlements created by the same settlor subject to a minimum exemption of £300 for each trust.

**Note 2:** For property and land outside principal private residence rules the rates are 18% or the new higher rate of 24% from 6 April 2024.

**Note 3:** This factsheet does not cover the tax treatment of trusts with a vulnerable beneficiary, interest in possession trusts or accumulation and maintenance trusts.

**Important Information:** This factsheet is issued by the Nucleus Technical Support Team for use by financial advisers in connection with products provided by the Nucleus Group. The Nucleus Group does not accept any liability if the information provided in this document is used for any other purpose. This factsheet is based on our understanding of current UK legislation and HMRC practice at the date this document was produced. The tax treatment depends on the individual circumstances of each client and may be subject to change in the future.

[www.nucleusfinancial.com](http://www.nucleusfinancial.com)

"Nucleus" and "James Hay Partnership" are the trading names of Nucleus Group Services Limited (NGSL) (registered in England number 02538532); James Hay Services Limited (JHS) (registered in Jersey number 77318); IPS Pensions Limited (IPS) (registered in England number 2601833); James Hay Administration Company Limited (JHAC) (registered in England number 4068398); James Hay Pension Trustees Limited (JHPT) (registered in England number 1435887); James Hay Wrap Managers Limited (JHWM) (registered in England number 4773695); James Hay Wrap Nominee Company Limited (JHWNC) (registered in England number 7259308); PAL Trustees Limited (PAL) (registered in England number 1666419); Sorum Trustees Limited (SarumTL) (registered in England number 1003681); The IPS Partnership Pie (IPS Pie) (registered in England number 1458445); Union Pension Trustees Limited (UPT) (registered in England number 2634371).

"Nucleus", "NFS" and "Nucleus Financial Services" are the trading names of Nucleus Financial Services Limited (NFS) (registered in England 05629686); and Nucleus Financial Limited (NF) (registered in England number 05522098); Nucleus Trustee Company Limited (NTC) (registered in Scotland number SC312652); and NFS (Nominees) Limited (NFSN) (registered in England number 07621355). NF, NFS, NFSN, NGSL, IPS, JHAC, JHPT, JHWM, JHWNC, PAL, SarumTL, IPS Pie, and UPT have their registered office at Dunn's House, St Paul's Road, Salisbury, SP2 7BF. NTC has its registered office at 12 Blenheim Place, Edinburgh EH7 5JH. JHS has its registered office at Aztec Group House, 11-15 Seaton Place, St Helier, Jersey, JE4 0OH. JHAC, JHWM, IPS, IPS Pie and NFS are authorised and regulated by the Financial Conduct Authority.