



Syllabus



STEP Advanced Certificate in Taxation of Trusts and Estates

(England and Wales)

STEP
ADVISING FAMILIES ACROSS GENERATIONS

Our education partner
 **CLTI**

In association with
MANCHESTER
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Introduction

This document contains the detailed syllabus for the **STEP Advanced Certificate in Taxation of Trusts and Estates (England and Wales)**.

For more information about the course and how to apply, please visit the [course page](#) on the CLTI website.

Module 1:

INCOME TAX: RULES APPLICABLE TO DECEASED INDIVIDUALS, PERSONAL REPRESENTATIVES AND LEGATEES

This module covers:

- The general principles of income tax
- The steps required for calculating income tax liabilities for individuals
- The income liability of an individual in the period up to their date of death
- How income is taxed during the period of administering the estate of a deceased person
- How income is taxed on the legatee of a deceased estate
- How the net income of an estate is calculated and certified
- How tax may be recovered

By the end of this module you should be able to:

- Calculate the income tax liability of an individual generally and in particular to the date of death
- Calculate the income tax liability of the personal representatives during the administration of the estate
- Explain the income tax treatment of legatees generally and the residuary legatees in particular
- Calculate the income tax liability of legatees
- Explain the use of HMRC Form R185 (Estate Income)
- Explain when income tax is paid
- Explain the practical aspects of income tax for personal representatives
- Explain the division of income as between the deceased and their personal representatives and the treatment of income that is charged to both inheritance tax and income tax

Module 2:

INCOME TAX: RULES APPLICABLE TO TRUSTS

This module covers:

- The usual rates of income tax applied to trusts
- The tax treatment of trusts in which the settlor has an interest
- The difference between a bare trust and a substantive trust and how bare trusts are subjected to income tax
- An overview of special forms of trust commonly found in practice

By the end of this module you should be able to:

- Explain how different kinds of trust income attract different tax rates
- Calculate the income tax charge on a typical interest in possession and discretionary trust
- Describe what is meant by the tax pool and how to manage it
- Identify when a trust is a settlor-interested trust or a parental settlement so that the anti-avoidance rules apply, and know how to deal with the income of such a trust
- Identify a bare trust and deal with the income arising in it
- Identify the taxation treatment of trusts for vulnerable persons

Module 3:

CAPITAL GAINS TAX: INTRODUCTION

This module covers:

- The main features of capital gains tax (CGT)
- The basic structure of a CGT computation and how to draft an appropriate computation through a proper understanding of the rules
- Valuation issues relating to quoted securities and the principles for valuing other assets
- The special rules that apply on the disposal of shares, chattels and the part disposal of assets
- How to deal with relevant reliefs

By the end of this module you should be able to:

- Define terms relating to CGT basics, such as annual allowances, allowable expenses and the different rates of CGT
- Prepare straightforward computations
- Explain the rules governing CGT loss relief
- Explain the part disposal rules
- Understand the share identification rules
- Explain the rules on the sale of chattels
- Apply the rules in relation to hold-over relief
- Explain how Business Asset Disposal Relief (BADR) operates on disposal of a business or shares
- Explain how Investors' Relief (IR) applies to the disposal of unquoted shares

Module 4:

CAPITAL GAINS TAX: RULES APPLICABLE TO DECEASED INDIVIDUALS AND PERSONAL REPRESENTATIVES

This module covers:

- The main features of CGT arising before and on the death of an individual and during the period of administration of an estate
- Computation of CGT arising before death and in the administration period
- Valuation issues relating to quoted securities and the principles for valuation of other assets

By the end of this module you should be able to:

- Calculate CGT in the period up to the date of death and during the administration of an estate
- Explain the valuation principles for CGT on death
- Arrange disposals of securities in the administration period to the best advantage of the beneficiaries, having regard to the tax situation of each

Module 5:

CAPITAL GAINS TAX: RULES APPLICABLE TO TRUSTS

This module covers:

- The charges to CGT arising when trust assets pass on successive life interests
- The charges to CGT arising on distributions to a remainderman
- The workings of hold-over relief in relation to trusts

By the end of this module you should be able to:

- Deal with the capital gains tax situation where a life interest comes to an end, whether on the death of the life tenant or for any other reason and assets remain on trust
- Deal with the capital gains tax situation where assets are distributed to a remainderman
- Understand the implications of the *Crowe v Appleby* rule
- Evaluate the interaction of CGT and hold-over relief and how they apply to trusts
- Describe settlor-interested trusts and the CGT treatment of these, including clawback provisions and the rules governing who counts as a settlor
- Explain the capital gains tax treatment of a trust for vulnerable persons

Module 6:

CAPITAL GAINS TAX: THE FAMILY HOME AND OTHER LAND

This module covers:

- The type of transaction that a trust or estate practitioner would encounter in relation to residential property
- The main CGT rules that apply to the family home
- Those situations where principal private residence relief does not apply

By the end of this module you should be able to:

- Describe the computation of PPR relief
- Identify the factors that determine the availability of relief for a residence and associated land
- Appreciate the importance of ascertaining whether a property is the taxpayer's principal private residence and know the indicators that HMRC is likely to consider
- Explain when PPR is available to trustees and personal representatives
- Identify when PPR relief does not apply

Module 7:

INHERITANCE TAX: LIFETIME TRANSFERS BY INDIVIDUALS

This module covers:

- The inheritance tax (IHT) regime
- The range of IHT exemptions and reliefs available
- The rates at which IHT is charged
- Reliefs and exemptions available in respect of the charge to IHT
- Potentially exempt and chargeable lifetime transfers
- The supplementary charge that arises when an individual dies in respect of their lifetime transfers

By the end of this module you should be able to:

- Understand the broad scope of IHT
- Identify the main exemptions and reliefs from IHT
- Explain how the rates of IHT work
- Distinguish between PETs and CLTs
- Explain how to work out the taxable amounts of PETs and CLTs and calculate tax arising in respect of a CLT
- Identify the supplementary charge and explain how it is calculated
- Understand how the cumulation principle can affect the amount of tax payable during lifetime and in relation to the supplementary charge
- Explain the reliefs available from the supplementary charge
- Outline the advantages and disadvantages of lifetime giving
- Explain how annual exemptions and the marriage exemption for IHT can be used and the concept of 'normal expenditure out of income'
- Explain how IHT is affected by the registered legal partner exemption and by payments to support members of the family

Module 8:

INHERITANCE TAX: AGRICULTURAL RELIEF AND BUSINESS RELIEF

This module covers:

- The regime for inheritance tax (IHT) specific to Agricultural Relief and Business Relief
- Which assets qualify for AR and which do not, and the rate at which the relief may be claimed
- The main limitations on AR
- The extent of BR and the main exceptions to that relief
- The rules under which AR and BR may be clawed back and the exceptions to those rules

By the end of this module you should be able to:

- Describe the kinds of property that qualify for AR or for BR and discuss some of the legal cases that have been brought in relation to such qualification
- State the rates at which AR and BR are available and when each rate applies
- Understand the situations where BR might apply to activities associated with a farm
- Identify the period for which a person must hold property to qualify for AR or BR
- Explain the broad principles of valuation of business and agricultural property
- State the chief exceptions to the availability of AR and BR
- Outline some of the problems that can arise with both AR and BR
- Define what is meant by 'clawback' and explain in broad terms when it may apply

Module 9:

INHERITANCE TAX ON DEATH AND THE BURDEN OF TAX

This module covers:

- How IHT is charged on death in relation to an individual's estate
- The valuation of a deceased estate, including the post mortem reliefs
- Which liabilities may be deducted from the estate at death for IHT purposes and which may not
- The exemptions and reliefs available in respect of the IHT estate charge
- The rates of IHT that apply in relation to the estate charge
- The gift with reservation of benefit rules and the POAT income tax charge
- Who suffers tax by payment from an inheritance, and how the burden of tax is divided between different persons

By the end of this module you should be able to:

- Identify the free and settled estate of a deceased person
- Explain the concept of 'excluded property' and list the types of such property
- State the valuation rules as they apply to the charge to IHT on death, including post mortem reliefs
- Appreciate how loans and other liabilities owed by/to the estate should be treated
- Recognise the exemptions that apply in the context of the IHT estate charge
- Describe how the IHT estate charge is calculated (including the application of the residence nil-rate band and the lower rate of IHT) and show the effect of quick succession relief
- Identify the basic rules that apply when there is a gift with reservation and the POAT income tax anti-avoidance regime
- Describe the way that the burden of tax is shared among the beneficiaries
- Explain the general principles of 'grossing'
- Describe the 'attribution rules'

Module 10:

THE USE OF DISCLAIMERS AND DEEDS OF VARIATION

This module covers:

- How disclaimers and DOVs may affect liability to IHT, CGT and income tax
- The essential conditions for tax efficient disclaimers and deeds of variation

By the end of this module you should be able to:

- List the differences between disclaimers and deeds of variation
- Explain the requirements that must be satisfied for a DOV to have effect for IHT and CGT and explain that effect
- Explain how a DOV operates for the purposes of income tax
- Describe how DOVs can be abused for IHT
- Understand the ban on successive variations of the Will for the same asset for IHT
- Explain the principles by which IHT may be saved through the use of disclaimers and DOVs

Module 11:

INHERITANCE TAX ON TRUSTS

This module covers:

- How relevant property and non-relevant property trusts are taxed under the IHT regime
- How such trust tax is administered

By the end of this module you should be able to:

- Explain the IHT arising on the creation of a trust
- Explain how QIIP trusts are treated for IHT purposes
- Explain and calculate exit charges and periodic charges that arise in relation to relevant property trusts
- Appreciate how AR/BR impacts on the IHT treatment of a trust
- Explain the treatment of trusts for bereaved minors and 18–25 trusts

Module 12:

THE FOREIGN ELEMENT: RESIDENCE AND SITUS

This module covers:

- The basic rules of residence for individuals under the statutory residence test
- The residence rules for personal representatives and trustees
- The situs rules
- The territorial scope of income tax, capital gains tax and inheritance tax
- The IHT status of an individual as a long-term UK resident (LTR) and a non-long-term UK resident (NLTR)
- The former rules on domicile under both the common law and statute and their impact on the tax treatment of individuals

By the end of this module you should be able to:

- Explain the statutory residence test in broad outline
- Explain the residence status of personal representatives and trustees for the purpose of income tax and CGT
- Explain the operation of the situs rules for income tax, capital gains tax and inheritance tax
- Explain the territorial scope of income tax, capital gains tax and inheritance tax
- Explain how to determine the status of an individual as a long-term UK resident (LTR) and for how long they have that status when they leave the UK
- Explain the types of common law domicile and the types of deemed domicile under statute
- Appreciate the way in which domicile affected the tax treatment of individuals (and to a lesser extent trusts)

Module 13:

INCOME TAX AND CGT: SELF-ASSESSMENT – PRACTICE AND PROCEDURE

This module covers:

- Routine tax compliance
- The use of the rules of full disclosure
- The penalty regime

By the end of this module you should be able to:

- Explain the requirement to register a trust
- Explain the implications of self-assessment for taxpayers and their advisers
- Describe routine tax administration, including use of estimates and valuations in the tax return and how to deal with errors once discovered
- Explain how ‘aspect’ and ‘full’ enquiries begin, are conducted and concluded
- Understand what is meant by ‘discovery’ and the implications for the taxpayer
- Identify the basic record-keeping requirements for taxpayers
- Describe the penalty system
- State the dates when returns must be filed, and set out how disclosures and payments of tax are made
- Understand the role of the tax tribunals

Module 14:

THE ADMINISTRATION OF INHERITANCE TAX AND PENALTIES

This module covers:

- The administration of IHT
- The rules on the payment of IHT, including the regime for payment by instalments
- The penalty regime

By the end of this module you should be able to:

- Describe the accounts that must be made to HMRC to report liability to IHT
- Identify further the duties of care owed by a personal representative
- State the incidence of IHT, when it is payable and explain the instalment facility
- Explain the main penalty provisions that apply in the context of IHT