HMRC - CG34882 - Settlor Trusts: Computations: Example

On 1 January 1986 Mrs A settles property on discretionary trusts for a class of beneficiaries which includes her husband. During 1987-88 the trustees sustain an allowable loss of £14,000 and Mr A a loss of £2,000. In 1988-89 the following disposals of trust assets occur

The trustees and Mr A claim hold-over relief under FA80/S79 in respect of (b) above.

Chargeable gains of £5,000 accrue to Mr A during the year.

The net trust gains of 1988-89 are computed in the normal way (except that the set-off losses brought forward do not fall to be restricted under TCGA92/S3 (5) and TCGA92/SCH1/PARA2 (1) - see CG18030) namely

The net gains of £42,000 are then attributed to Mrs A as settlor. Since she is a married woman living with her husband those gains fall to be assessed and charged on her husband, under the rules in force for 1988/89.

If Mr A has income chargeable at the basic rate amounting to £9,300 then the gains will be chargeable to Capital Gains Tax at the following rates.

£10,000 at 25%

£30,000 at 40%

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