HMRC - STSM081040 - Settlements

A settlement is an arrangement that separates the legal and beneficial title of an asset. The settlor creates an interest for the beneficiaries and places legal title with trustees (the settlor may be a trustee). The settlement documents can include a declaration of trust, a transfer on sale or a gift, and are normally executed on the same day.

A settlement becomes effective at the date of the trust deed if:

The settlor declares himself as the sole trustee

The trustees were formerly the settlor’s nominees and already hold the property

The settlement deed assigns the property to the trustees

Otherwise, the settlement becomes effective when the legal title of the property is transferred to the trustees. The passing of the property creates the settlement.

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