

Budget Update 2 - Recommendations about Wills

Following the announcement of changes to the taxation of trusts in the Budget and the publication of the Finance Bill, there has been widespread publicity that this will result in many people having to change their wills so as to avoid an unintended tax liability on their death.

The exact effect of the changes will not be known until the Finance Bill has passed through Parliament and this is likely to be at the end of July.

The new rules will apply to provisions in wills coming into effect on deaths on or after 22 March. Most wills need to be reviewed in due course, but for the moment a “wait and see” policy is probably the most prudent course of action.

We set out our suggestions below:

Provisions in Will	Suggested Action
1) You have left a legacy of the tax free element of your estate to a discretionary trust and/or 2) You leave the residue to your spouse failing which outright to your children (or outright to them at 18), or 3) You have given your trustees complete discretion as to how to allocate your estate, or 4) All the gifts in your will are unconditional and made outright to the beneficiary	No action required other than review in the normal course of events.
5) Residue to trustees to pay income only from the capital of your estate to a beneficiary for his or her life, but the trustees have power to vary the trusts. 6) You leave money to a child on terms that they will inherit on achieving a specified age, or complying with any other conditions, and the trustees have power to change this.	None immediately as the trusts can be rewritten within 2 years of death to comply with new rules
7) As in 5 above, but where trustees have no power to vary the trusts. 8) As in 6 above but where trustees have no power to change age of entitlement. 9) You make a gift by will to an existing trust.	Immediate review recommended

ENDS