

# STEP DIPLOMA IN TRUSTS AND ESTATES

ENGLAND & WALES

Syllabus

## This document contains the detailed syllabus for the STEP Diploma in Trusts and Estates (England & Wales).

The Diploma provides detailed practical coverage of the law and procedures involved in trust and estate practice in England and Wales.

The Diploma comprises the following four papers:

- Administration of Estates
- Administration of Trusts
- Taxation of Trusts and Estates
- Trust and Estate Accounting.

This syllabus should be read in conjunction with the course brochure, which explains the method of delivery and assessment, entry requirements and personal and business benefits of completing the programme.

The brochure, course dates and enrolment application form can be found on the programme website [www.cltint.com/stepdiplomaew](http://www.cltint.com/stepdiplomaew)

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## MODULE 1: VALIDITY OF THE WILL

### **This module covers:**

- The requirements for the making of a will, including:
  - Capacity
  - Knowledge and approval
- The importance of s.9 Wills Act 1837, covering the:
  - Preparation
  - Signing, and
  - Witnessing of a will

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

- Identify the requirements for the making of a will
- Explain the circumstances of privileged wills and statutory wills
- Understand the importance of s.9 Wills Act 1837
- Explain who may witness a will
- Advise when a will is not valid

## MODULE 2: THE PREPARATION AND CONSTRUCTION OF WILLS

### **This module covers:**

- The role of professionals in the preparation of a will
- When negligence issues may arise
- How the court approaches issues on the construction of wills
- The remedies available to deal with problem wills

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

- Describe the role of professionals in will preparation
- Identify when negligence issues may arise
- Understand how the court approaches issues on the construction of a will
- Be aware of the remedies available to deal with problem wills

## MODULE 3: THE LAYOUT AND CONTENT OF WILLS

### **This module covers:**

- The general layout of a will
- The standard clauses used in a will
- Different types of gift that may be given in a will

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

- Describe the general layout of a will
- Identify the standard clauses used in a will
- Explain the different types of gift that may be given in a will

## MODULE 4: REVOCATION AND ALTERATION OF A WILL

### **This module covers:**

- The ways in which a will may be revoked
- The effect of marriage and divorce on a will
- The effect of alterations to a will

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

- Identify the ways by which a will may be revoked
- Explain the effect of divorce on a will
- Explain the doctrine of dependent relative or conditional revocation
- Describe the effect of alterations to a will

## MODULE 5: BENEFICIARIES AND BENEFICIAL ENTITLEMENT

### **This module covers:**

- The various types of legacy that might appear in a will
- The requirements for ascertaining the identity of beneficiaries in a will
- The position where a beneficiary predeceases the testator
- The relevance of survivorship clauses to will drafting
- The principles of forfeiture

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

- Identify the various types of legacy that might appear in a will
- Identify the requirements for ascertaining the identity of beneficiaries in a will where there is doubt
- Describe the position where a beneficiary predeceases the testator
- Explain the relevance of survivorship clauses in a will
- Explain the principles of forfeiture

## MODULE 6: *DONATIO MORTIS CAUSA*

### **This module covers:**

- The meaning of *donatio mortis causa*
- The requirements for a valid *donatio mortis causa*
- An explanation of when the doctrine applies

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

- Define what is meant by a *donatio mortis causa*
- Identify the requirements for a valid *donatio mortis causa*
- Explain when the doctrine applies

## MODULE 7: INTESTACY

### **This module covers:**

- The intestacy rules
- Entitlement to benefit under intestacy
- When an intestacy situation occurs

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

- Describe and apply the intestacy rules
- Identify who is entitled to benefit under an intestacy
- Explain how the intestacy rules apply to children
- Describe the position of personal representatives
- Recognise when an intestacy situation arises

## MODULE 8: APPLYING FOR THE GRANT

### **This module covers:**

- When a grant is required
- The steps necessary to obtain a grant
- The excepted estates procedure
- Delivery of the IHT account

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

- Identify when a grant is required
- Explain the steps necessary to obtain a grant
- Describe what needs to be done if there are problems with the will
- Identify the documents that need to be lodged to obtain a grant
- Identify which of the deceased's assets are to be included for the purposes of IHT
- Explain the issues involved in valuing property for the purposes of the IHT account
- Describe the excepted estates procedure and process for the delivery of the IHT Account.

## MODULE 9: OBTAINING THE GRANT

### **This module covers:**

- Who can obtain a grant
- The different types of grant and when they should be used
- The different types of oaths relating to probate and letters of administration

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

- Identify who can obtain a grant
- State the different types of grant
- Describe the different oaths relating to:
  - Probate
  - Letters of administration with the will annexed
  - Letters of administration
- Identify the different special forms of grant and explain when they should be used

## MODULE 10: ADMINISTRATION OF THE ESTATE

### **This module covers:**

- The definition of a solvent and insolvent estate
- The statutory order for the payment of debts
- Directions in a will for the payment of legacies
- The duties and responsibilities of personal representatives in relation to the administration of the estate

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

- Distinguish between a solvent and insolvent estate
- Explain the statutory order for the payment of debts
- Identify whether or not there are directions in a will for the payment of legacies
- Explain the duties and responsibilities of personal representatives in relation to administering the estate, in particular:
  - Finding creditors
  - Finding beneficiaries
  - Dealing with personal injury and fatal accident claims

## MODULE 11: JOINT WILLS, MUTUAL WILLS AND SECRET TRUSTS

### **This module covers:**

- What is meant by a joint will
- The characteristics of a mutual will
- Secret trusts

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

- Explain what is meant by a joint will
- Identify the characteristics of a mutual will
- Explain the difference between mutual wills where a constructive trust has been created and those where it has not
- Identify the characteristics of secret trusts and half-secret trusts

## MODULE 12: THE INHERITANCE (PROVISION FOR FAMILY DEPENDENTS) ACT 1975

### **This module covers:**

- When the Inheritance (Provision for Family and Dependents) Act 1975 applies
- Persons eligible to make a claim under the Act
- What type of financial orders may be obtained as a result of a claim

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

- Explain when the Act applies in relation to:
  - Spouses or civil partners;
  - Former spouses or civil partners;
  - Co-habitees;
  - Children;
  - Those treated as children of the marriage or civil partnership; and
  - Persons maintained by the deceased.
- Define what is meant by reasonable provision
- Identify the factors taken into account by the court to assess reasonable provision
- Describe the financial orders that the court may make as a result of a claim under the Act.

## MODULE 13: POST- DEATH VARIATIONS

### **This module covers:**

- The characteristics of:
  - A variation
  - A disclaimer
- The differences between the two and why one may be preferred to the other
- When a variation may be beneficial

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

- Describe the characteristics of:
  - A variation
  - A disclaimer
- Understand the differences between the two and explain why one may be preferred to the other
- Explain when a variation may be beneficial

## MODULE 14: ELECTION AND SATISFACTION

### **This module covers:**

- The definition of election and satisfaction
- When an election may be made
- The relevance of the doctrines to the administration of a deceased's estate
- When the requirements of the doctrine of satisfaction apply

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

- Explain what is meant by election and satisfaction
- Identify when an election may be made and when it does not apply
- Describe when the requirements of the doctrine of satisfaction apply

## MODULE 15: FOREIGN PROPERTY AND WILLS

### **This module covers:**

- Terminology relating to domicile and foreign wills
- The distinction between movable and immovable property
- The importance of the choice of law governing a will

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

- Identify and use terminology relating to domicile and foreign wills
- Explain the distinction between movable and immovable property
- Describe the importance of the choice of law governing a will

## MODULE 1: DEFINING AND CLASSIFYING TRUSTS

### **This module covers:**

- How common law and equitable principles developed
- The essential features of a trust
- The relationship of the parties to a trust
- The nature of a beneficiary's equitable interest
- The fiduciary relationship between trustee and beneficiary
- The classification of trusts
- Different types of trust
- The uses of trusts today

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

- Explain the relationship between common law and equity
- Distinguish between legal and equitable rights
- Describe the nature of a beneficiary's equitable interest
- Appreciate how the trust concept has been allowed to develop
- Define the relationship between the settlor, trustees and beneficiaries of a trust
- Explain what is meant by a fiduciary relationship
- Describe the nature of the duties owed by a fiduciary to his principal
- Identify several types of trust
- State the ways in which trusts are used today

## MODULE 2: THE REQUIREMENTS FOR THE CREATION OF A VALID TRUST

### **This module covers:**

- The 'three certainties'
- The requirements for creating various kinds of trust

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

- Describe the requirements necessary to create a valid trust
- Apply the three certainties of intention, subject matter and objects
- Identify that the settlor must have capacity to create the trust
- Explain that any declaration of trust of land must be evidenced in writing
- Appreciate that any disposition of an equitable interest must be made in writing
- Describe the creation of fully and half-secret trusts

## MODULE 3: THE RULES AGAINST PERPETUITIES AND ACCUMULATIONS

### **This module covers:**

- The rules against perpetuities and accumulations under both common law and statute

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

- Identify which perpetuity regime applies to a trust
- Identify that a trust does not offend the rules against perpetuities and accumulations

## MODULE 4: FIXED INTEREST TRUSTS

### **This module covers:**

- Life interest trusts
- Protective trusts
- Trusts of land
- Accumulation and maintenance trusts
- Trusts for minors
- Simple or bare trusts
- Will trusts and trusts on intestacy

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

- Explain and differentiate between different fixed interest trusts
- Appreciate the rights of beneficiaries of different kinds of trust, and the limitations on those rights

## MODULE 5: DISCRETIONARY TRUSTS

### **This module covers:**

- The key features of discretionary trusts, including the choice of the trustee, the use of a letter of wishes, the rights of beneficiaries, and asset protection trusts

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

- Be able to explain the key features of discretionary trusts, including the choice of the trustee, the use of a letter of wishes, the rights of beneficiaries, and asset protection trusts

## MODULE 6: VULNERABLE BENEFICIARY TRUSTS

### **This module covers:**

- The nature and types of vulnerable beneficiaries
- The types of vulnerable beneficiary trust that will qualify for special treatment

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

- Explain who will qualify as a disabled beneficiary
- Understand the two different types of disabled person's trust and their requirements
- Explain who will qualify as a bereaved minor or beneficiary of an 18-25 trust
- Explain the requirements of bereaved minor's and 18-25 trusts

## MODULE 7: RESULTING TRUSTS

### **This module covers:**

- The nature and types of implied and resulting trusts
- The situations where a resulting trust will arise

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

- Identify the nature and types of implied and resulting trusts
- Analyse the situations where a resulting trust will arise
- Explain what happens on the failure of an express trust
- Explain what happens on the failure to divert the whole beneficial interest
- Explain the position on purchase in the name of another
- Describe the position on transfer into the name of others

## MODULE 8: CONSTRUCTIVE TRUSTS

### **This module covers:**

- The nature of a constructive trust
- The situations where a constructive trust can arise
- The principle of proprietary estoppel

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

- Understand the nature of a constructive trust
- Identify the situations where a constructive trust can arise
- Analyse the nature of the fiduciary relationship
- Understand the impact of a stranger's intermeddling with trust property
- Determine the extent of the 'dishonest assistance' principle
- Explain the consequences of fraudulent dealing with trust property
- Explain the principles behind the concept of mutual wills
- Outline the principle of proprietary estoppel
- Appreciate the uncertainties surrounding determination of ownership rights in property for cohabitees

## MODULE 9: PURPOSE TRUSTS

### **This module covers:**

- Why trusts established to benefit a purpose rather than persons are invalid
- The exceptions to the general rule
- The main features of a charitable trust

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

- Explain the reasons why trusts established to benefit a purpose rather than persons are invalid
- Identify the exceptions to the general rule, namely:
  - An anomalous group of private trusts of imperfect obligation
  - Trusts in favour of incorporated associations
  - Valid charitable trusts
- Outline the main features of a charitable trust
- Explain the extent of public benefit required for a trust to be classified as charitable
- Describe the operation of the cy-près doctrine
- Understand how charities are administered
- Outline the advantages of charitable status

## MODULE 10: PRINCIPLES OF THE TAXATION OF TRUSTS

### **This module covers:**

- The impact of taxation on the main types of trust

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

- Describe the impact of taxation on the main types of trust, including inheritance tax, capital gains tax and income tax

## MODULE 11: THE OFFICE OF TRUSTEE

### **This module covers:**

- The role of the trustee
- How trustees are appointed
- The rules on retirement and removal of trustees

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

- Describe the responsibilities of the trustee
- Explain who can act as a trustee
- Explain how trustees are appointed
- Specify some special types of trustee
- Set out the rules on retirement and removal of trustees
- Describe how property is vested in new trustees

## MODULE 12: FIDUCIARY AND GENERAL DUTIES OF TRUSTEES

### **This module covers:**

- General duties of a trustee
- Trustees' duties in respect of investment of trust assets
- Trustees' duties of conversion, apportionment and distribution

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

- Identify the key duties of trustees
- State the trustees' duties in respect of investment of trust assets
- Outline the trustees' duties of conversion, apportionment and distribution

## MODULE 13: POWERS OF A TRUSTEE

### **This module covers:**

- Fiduciary powers
- How fiduciary powers should be exercised
- Trustees' general powers

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

- Explain the general principles applicable to the exercise of trustees' decision-making powers
- Explain how trustees should comply with fiduciary obligations and meet appropriate standards of care
- Identify the extent of trustees' powers of:
  - maintenance
  - advancement
  - appointment
  - appropriation
- Outline the trustees' other general powers

## MODULE 14: BREACH OF TRUST

### **This module covers:**

- The alternative actions that a trustee may take when faced with an anticipatory breach of trust
- The general principles of liability governing a breach of trust

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

- Explain the alternative actions that a trustee may take when faced with an anticipatory breach of trust
- Describe the general principles of liability governing breach of trust
- Explain how courts measure loss in breach of trust cases
- Describe the extent to which a trustee may be indemnified or receive contribution from co-trustees
- Explain the potential defences that may be raised by a trustee who is being sued for breach of trust
- Outline the remedies available to courts to rectify loss resulting from a breach of trust
- Explain the proprietary remedy of tracing

## MODULE 15: VARIATION OF TRUSTS, REMEDIES FOR MISTAKE AND SETTING TRUSTS ASIDE

### **This module covers:**

- The indirect ways in which a variation of the terms of a trust can be made without having recourse to the assistance of the court
- The rules governing the court's inherent jurisdiction to vary a trust
- The court's jurisdiction to remedy mistakes in relation to the creation of trusts and dispositions
- The circumstances in which the courts will set aside a trust on the grounds of public policy

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

- Explain the indirect ways in which a variation of the terms of a trust can be made without having recourse to the assistance of the court
- State the rules governing the court's inherent jurisdiction to vary a trust
- Explain the use of statutory provisions to vary a trust
- Explain when a court can rectify a trust instrument
- Understand the basis for equitable mistake
- Understand what is meant by the rule in *Hastings-Bass*
- Outline the circumstances in which the courts will set aside a trust on the grounds of public policy
- Describe the rules governing trusts that are designed to evade creditors

## MODULE 16: DRAFTING AN EFFECTIVE TRUST DEED

### **This module covers:**

- The key issues arising when drafting a trust deed
- The language, style and construction involved in preparing a trust deed
- The content of certain trust precedents

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

- Outline the key issues arising from the drafting of a trust deed (settlement)
- Describe the impact of issues of language, style and construction
- Explain certain specific drafting issues including:
  - Definitions
  - Power to add and exclude beneficiaries
  - Overriding powers
  - Perpetuities
  - Life interests
  - Powers of appointment, resettlement and advancement
  - Discretionary trusts
  - Special clauses
- Describe the content of certain trust precedents

## MODULE 1: INCOME TAX IN THE PERIOD TO THE DATE OF DEATH AND DURING THE ADMINISTRATION OF AN ESTATE

### **This module covers:**

- The steps required for calculating income tax liabilities in the period up to the date of death
- How income is taxed during the period of administering the estate of a deceased
- The basis of taxation applicable to estates and the way in which beneficiaries may recover tax
- How the net income of an estate is calculated and certified

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

- Calculate how responsibility for income tax on income received by the estate is allocated
- Understand how income tax affects trusts and know how to obtain income tax clearance
- Appreciate the trustee's duty to strike a balance between the interests of different beneficiaries and the consequent rules of apportionment
- Decide what expenses are allowable against tax in the administration period
- Use HMRC Form R185, and know when to do so

## MODULE 2: INCOME TAX RULES APPLICABLE TO TRUSTS

### **This module covers:**

- The usual rates of income tax applied to trusts
- The accrued income scheme
- 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 and the types of relief available to the trustees and different categories of beneficiary
- Describe what is meant by the tax pool and how to manage it
- Complete the 'accrued income scheme' on the trust and estate tax return
- Explain the tax treatment of special distributions by companies to trustees by way of scrip dividend or demerger
- Identify when a trust is subject to the interest of a settlor and when the anti-avoidance rules apply, and know how to deal with the income in the trust
- Identify the taxation reliefs available to vulnerable beneficiaries
- Identify a bare trust and explain how to deal with the income arising in it
- Calculate the income tax charge on a typical discretionary trust

## MODULE 3: CAPITAL GAINS TAX (CGT): INTRODUCTION

### **This module covers:**

- The main features of CGT
- How to claim relevant losses and reliefs
- Valuation issues relating to quoted securities and outline the principles for valuation of other assets
- The identification rules for CGT
- The basic structure of a CGT computation and how to draft an appropriate computation, through a proper understanding of the rules

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

- Define basic terms relating to CGT, such as annual allowances, allowable expenses, and the different rates of CGT
- Explain how relief operates on disposal of a business, including the annual exemption and part-disposal rules
- Know when indexation relief still applies and how to calculate it
- Explain the rules governing CGT loss relief, including the anti-avoidance rule
- Understand the share identification rules
- Calculate CGT due on the sale of chattels
- Apply the rules in relation to both roll-over and holdover
- Identify the rules in relation to entrepreneurs' relief
- Describe the circumstances where anti-avoidance rules may apply
- Prepare straightforward computations

## MODULE 4: CAPITAL GAINS TAX (CGT) IN THE PERIOD TO THE DATE OF DEATH AND IN THE ADMINISTRATION OF ESTATES

### **This module covers:**

- The main features of CGT arising by reason of a death and during the period of administration of an estate
- Computation of CGT arising in the administration period after claiming relevant allowances
- How to claim relevant losses and reliefs
- Valuation issues relating to quoted securities and the outline principles for valuation of other assets
- The way in which deeds of variation and disclaimers can affect the computation of CGT

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

- Calculate CGT for 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
- Explain the CGT possibilities of a DOV, and know when an election should be made in relation to such a deed

## MODULE 5: CAPITAL GAINS TAX (CGT): RULES APPLICABLE TO THE ADMINISTRATION OF TRUSTS

### **This module covers:**

- The charges to CGT arising when assets leave a trust fund
- The workings of holdover relief in relation to trusts
- Roll-over relief in relation to trusts
- The identification rules for CGT

### **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 tenant for life or of any other person
- Understand the implications of the *Crowe v Appleby* rule
- Evaluate the interaction of CGT and holdover relief and how they apply to trusts
- Explain the impact of the 'bed and breakfasting' rules as applied to trusts
- Describe settlor interested trusts and the CGT treatment of these, including clawback provisions and the rules governing who counts as a settlor

## MODULE 6: CAPITAL GAINS TAX (CGT): THE FAMILY HOME

### **This module covers:**

- The type of transaction a trust or estate practitioner would encounter
- The main CGT rules that apply to the family home
- Those situations where principal private residence relief does not apply
- The types of transactions that are regarded as 'dealing in land' where CGT would be due

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

- Describe the computation of PPR relief
- Identify the factors that determine the relief on land associated with a property
- Appreciate the importance of ascertaining whether a property is the taxpayer's principle private residence and know the indicators that HMRC is likely to consider
- Explain some of the case law on residence and trading in land, including *Longson v Baker* and *Griffin v Graig-Harvey*
- Identify when PPR relief does not apply
- State how the anti-avoidance provisions apply
- Understand the implications of the *Crowe v Appleby* rule
- Warn a client about the existence of the non-resident CGT charge

## MODULE 7: INHERITANCE TAX ON LIFETIME TRANSFERS

### **This module covers:**

- The lifetime transfer regime for IHT
- The basis of lifetime reliefs
- PETs and chargeable lifetime transfers
- The interaction between reliefs and the transferred value for IHT purposes

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

- Understand the broad scope of IHT in the context of lifetime gifting
- Identify and apply the main exemptions from IHT
- Explain the broad principles of the valuation of lifetime gifts, in particular how PETs affect IHT
- Distinguish between PETs and CLTs, and understand how close company transactions and the 'backward shadow' can affect CLTs, and how failed PETs can give rise to an 'extended backward shadow'
- Understand the IHT treatment of a failed PET
- Outline the advantages and disadvantages of lifetime giving
- Explain how annual exemptions 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, payments to support dependants, and civil partnerships

## MODULE 8: INHERITANCE TAX - AGRICULTURAL PROPERTY RELIEF AND BUSINESS PROPERTY RELIEF

### **This module covers:**

- Provide an overview of the regime for inheritance tax (IHT) specific to agricultural and business property relief,
- Show which assets qualify for agricultural property relief (APR) and which do not, and the rate at which the relief may be claimed,
- Explain the main limitations on APR,
- Explain the extent of business property relief (BPR), and the main exceptions to that relief,
- Illustrate the rules under which APR and BPR may be clawed back, and the exceptions to those rules

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

- State what property qualifies for APR or for BPR, state the rates at which APR and BPR are available, and when each rate applies,
- Understand the situations where BPR might apply to activities associated with a farm
- Identify the period for which a person must hold property in order to qualify for APR or BPR, as the case may be,
- Explain the broad principles of valuation of business and agricultural property,
- State the chief exceptions to APR and to BPR, and the restrictions that apply to limited liability partnerships
- Outline some of the problems that can arise with both APR and BPR
- Define what is meant by 'clawback' and explain in broad terms when it may apply

## MODULE 9: THE CHARGE TO INHERITANCE TAX (IHT) ON DEATH: EXEMPT TRANSFERS AND THE BURDEN OF TAX ON BENEFICIARIES

### **This module covers:**

- How IHT is charged on death and how the property is affected
- Which liabilities may be deducted from the estate at death for IHT purposes and which may not
- The categories of transfer that are exempt from IHT on death
- Who suffers tax by payment from an inheritance, and how the burden of tax is divided between different beneficiaries

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

- Understand what is meant by having power over, or control of, property
- Distinguish between 'excluded property' and 'excepted property' and list the categories of the former and other concessions
- Describe how IHT is charged on death, bearing in mind the exemptions that may apply
- Explain the difference between the tax charge on a fund that is subject to a qualifying life interest and the charge on a trust interest that has not yet come into possession
- State the basic valuation rules as they apply to the charge to IHT on death
- Appreciate how loans and other liabilities owed by/to the estate should be treated
- Recognise the kinds of transfers that are exempt from IHT and the circumstances in which making gifts to exempt beneficiaries will reduce the amount of IHT otherwise payable
- Explain the possibilities of claiming relief on heritage property and the restrictions that apply to new gifts of that kind of asset
- Identify the basic rules that apply when there is a gift with reservation, whether by way of a reservation out of the gift or by way of subsequent borrowing
- Explain the application of the residence nil-rate band
- Explain the general principles of 'grossing'
- Describe the 'attribution rules', and describe the way that the burden of tax is shared among the beneficiaries and be able to make simple calculations of it

## MODULE 10: THE USE OF DISCLAIMERS AND DEEDS OF VARIATION IN RELATION TO INHERITANCE TAX (IHT) AND CAPITAL GAINS TAX (CGT)

### **This module covers:**

- How disclaimers and deeds of variation may affect the tax payable
- The essential conditions for tax-efficient 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
- Describe how DOVs can be abused
- Understand the ban on successive variations of the will for the same asset
- Appreciate the limitations on the Hastings-Bass rule
- Explain the principles by which IHT may be saved through the use of disclaimers and deeds of variation
- Outline the effect of the Estates of Deceased Persons (Forfeiture Rule and Law of Succession) Act 2011

## MODULE 11: THE REGIME FOR TAXING TRUSTS

### **This module covers:**

- How relevant property and non-relevant property trusts are taxed under the IHT regime
- How such trust tax is administered
- The special position of the qualifying interest

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

- Be aware of the transitional rules for pre-22 March 2006 trusts
- Appreciate how APR/BPR can affect a trust
- Understand how AMT, IIP, loan, single-premium investment bond, discounted gift and life assurance trusts, and those for the disabled are treated under the post-22 March 2008 regime
- Appreciate the intricacies involved for later-added property or property that has changed in nature
- Explain how discretionary trusts and other 'relevant property' trusts are taxed
- Describe the scheme of charging IHT on trusts under both the periodic charge regime and exit charge regime
- Consider the intricacies involved for later-added property or property that has changed in nature
- Identify the circumstances in which the charge to IHT on a trust may be very small or even nil.

## MODULE 12: SELF - ASSESSMENT: PRACTICE AND PROCEDURE

### **This module covers:**

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

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

- Evaluate the implications of self-assessment for trustees and their advisors, including use of form 41 G (Trust)
- Describe the routine tax administration of trusts, 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 trustees
- Identify the basic record-keeping requirements for trusts and estates
- Describe the penalty system including the new regime
- State the dates by which returns must be filed, and how disclosures and payments of tax should be made
- Understand the role of the tax tribunals

## MODULE 13: THE FOREIGN ELEMENT: RESIDENCE AND DOMICILE

### **This module covers:**

- Outline the basic rules of residence and ordinary residence
- Outline the residence rules for trustees
- Explain where a taxpayer may be domiciled

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

- Explain the circumstances in which residence may be temporary or permanent
- Evaluate the relevance of employment to residence and domicile
- Explain the differences between domiciles of origin, choice and dependency, and deemed domicile
- Explain some relevant case law on domicile of choice
- Describe the problems in determining domicile for individuals who have lived in different countries, and understand the tax implications
- Calculate IHT liabilities where a non-domiciled registered legal partner is concerned

## MODULE 14: THE ADMINISTRATION OF CAPITAL TAXATION AND PENALTIES

### **This module covers:**

- Discuss the administration of capital taxation
- Outline the system for collection of inheritance tax
- Including the regime for payment by instalments, explain the penalty regime

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

- Describe how capital taxation is administered
- Identify excepted estates, whether low-value, exempt or estates of a foreign domiciliary, and know how to deal with them
- Identify the duties of care owed by a personal representative and the dangers of failing to take due care
- Evaluate the importance of correctly valuing a deceased's estate and of making full enquiries of relatives, trustees and business associates
- Appreciate the implications of the *Hutchings* case
- State how IHT is calculated and paid on deceased estates
- Explain how to deal with disclosure of tax avoidance schemes
- Explain 'the main penalty provisions' and how to avoid them

## MODULE 1: BASIC PRINCIPLES

### **This module covers:**

- Why trustees and personal representatives should keep accounts
- The principles of estate accounting
- The principles of trust accounting

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

- Describe the elements of estate accounts
- Write up the analysed cash book
- Write up the estate capital account
- Write up the estate income account
- Write up the trust capital account
- Write up the trust income account
- Prepare a balance sheet

## MODULE 2: CAPITAL AND INCOME

### **This module covers:**

- How to allocate receipts and payments between capital and income

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

- Explain the need for a distinction between capital and income
- Explain how tax payments are attributed, with an example of an exception to the rule that income tax is a charge on income
- Define which categories of professional fees should be charged either to capital or income
- Describe the main areas of confusion relating to the position in an estate at the date of death

## MODULE 3: ESTATE ACCOUNTS

### **This module covers:**

- What accounting and other basic records should be kept in the administration of an estate
- Who is entitled to receive and approve estate accounts
- How to prepare a set of estate accounts from the information in the cash-estate book and other records

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

- Describe the role and duties of the PR in accounting for the assets belonging to the estate
- Explain what is meant by the terms 'capital account' and 'income account' and which funds should be contained in each
- Identify when and in what circumstances accounts should be presented to PRs and beneficiaries
- State by whom and in what manner the accounts are approved
- Identify the objectives of a well-organised set of accounts
- Describe the various adjustments that will need to be made to the Capital Account
- Define the purposes of an Income Account and the 'best practice' for maintaining its records
- Describe a 'distribution account' and how this can be used to achieve confidentiality

## MODULE 4: TRUST ACCOUNTS

### **This module covers:**

- How the principles in the accounting for estates apply to trusts

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

- State the overriding principles and objectives in preparing and maintaining trust accounts
- Identify which documents and information are incorporated into the trust accounting file
- Describe the constitution of a set of standard trust accounts and trust distribution statements

## MODULE 5: RELEVANT PROPERTY TRUSTS

### **This module covers:**

- The principal trusts for which accounting may be required in modern trust practice

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

- Identify the principal trusts for which accounting may be required in modern trust practice

## MODULE 6: TRUSTS FOR CHILDREN

### **This module covers:**

- The special rules relating to the accounting treatment of testamentary trusts for children

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

- Identify the characteristics of a testamentary trust for children
- Explain the accounting provisions relating to testamentary trusts for children
- Ascertain when tax at the rate payable by trustees should be calculated and into which account it should be paid
- Describe where liability falls in respect of income tax for trust income

## MODULE 7: TRUST ADMINISTRATION

### **This module covers:**

- An introduction to the law governing the investment of a trust fund by trustees
- The manner in which the law is applied in practice to create the investment portfolio
- Distribution of the income and capital of a trust fund among the beneficiaries
- Trustees' duty to account to beneficiaries and to disclose information

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

- State the extent of the power of trustees to invest trust funds
- Describe the limitations imposed on that power by the concept of prudent investment
- Explain the ability of trustees to delegate to agents the power of investment
- Explain the need to monitor and keep under review an agent to whom authority is delegated
- Describe the duties and discretions affecting trustees when considering distributions
- Identify the extent of the duty of a trustee to account to beneficiaries for the stewardship of the trust and the trust assets

## MODULE 8: VALUATION

### **This module covers:**

- How trustees and personal representatives should value assets
- How valuations are used in trust and estate accounts

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

- Describe the basis of how different assets are valued for probate and appropriation purposes
- Assess and identify the appropriate valuation that is suitable for particular circumstances and the implications of so doing

## MODULE 9: ACCOUNTING FOR LEGACIES

### **This module covers:**

- The type of legacy as contained in the syllabus for the STEP Advanced Certificate in Administration of Estates course
- How the principal types of legacy will be accounted for and to highlight the treatment of ademption, abatement and lapse of legacies

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

- Distinguish between the various types of principal legacy
- Demonstrate how legacies will be treated and to identify reasons for their failure

## MODULE 10: MISCELLANEOUS

### **This module covers:**

- A variety of points not considered elsewhere in this course and to know when they apply in the accounting for trusts and estates

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

- Identify the principles underlying abatement and the steps to be taken if there is a deficiency in residue
- State the issues relating to insolvency
- Explain the provisions of s.41 Administration of Estates Act 1925 with regard to the appropriation of assets

# CONTACT US

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