SCOTTISH WIDOWS PLATFORM BARE TRUST

Customer Notes

These notes give you general information about the Scottish Widows Platform Bare Trust and signpost you to where you can get further information. Before making any decisions you must take advice from a professional adviser. You should not rely on these notes alone as they cannot take account of your personal situation.

The Scottish Widows Platform Bare Trust

The Scottish Widows Platform Bare Trust enables you to make a gift to others. The investments and income of the trust (called the trust fund) are held for the benefit of the beneficiaries. You, as the person setting up the trust, cannot benefit from the trust fund in any way.

You and the other trustees decide how the trust fund is invested.

Once the trust has been set up you cannot change your mind and you cannot change the beneficiaries. You must therefore take professional advice before deciding whether to set up the trust.

Your adviser will explain to you:

- how the trust works and how it fits with your financial plans
- the inheritance tax implications of the trust
- how the trust fund will be taxed, both income tax and capital gains tax

Your adviser will also ensure the trust is properly set up. It's important that the trust deed is correctly completed, witnessed and signed by the right people. If this is not done properly the trust itself may fail or there could be problems at a later date.

The trustees

As the person setting up the trust you will be one of the trustees.

You can appoint others to be a trustee with you. You can do this from the outset or later. In certain circumstances you can remove a trustee.

You should appoint at least one other trustee because after your death the trust will continue.

The trustees have control of the trust fund and must jointly make many of the key decisions including how the trust fund is invested.

Your professional adviser will explain in more detail the role of the trustees and will help you decide how many trustees to have and who might be suitable given your circumstances.

The beneficiaries

The beneficiaries have a fixed right to the trust fund. You cannot change your mind and so you must be certain before using this trust.

While the beneficiaries are under 18 (16 in Scotland), the trustees can accumulate any income within the trust fund. During this time the trustees can use the trust fund for the benefit of a young beneficiary, for example, by paying education fees.

When a beneficiary reaches age 18 (16 in Scotland) they can demand that the trust fund is paid to them. If the trust fund continues to be held by the trustees, they will need the beneficiaries' consent when they exercise their powers.

If a beneficiary dies, their share of the trust fund will pass in accordance with their estate. For a minor this usually means to their parents.

SCOTTISH WIDOWS

Inheritance tax (IHT)

There are several reliefs and exemptions, as well as an amount you can gift free of IHT (called the nil rate band, £325,000 in the tax year 2024/25).

There will be no IHT to pay when you set up the trust. However, if you die within the following seven years there may be IHT to pay on the original gift to the trust. It will also be included in the calculation of any IHT on your estate.

If a beneficiary dies, the value of their share of the trust fund will be included in their estate for IHT purposes.

Your professional adviser will explain if and how IHT will affect you and the beneficiaries.

Income tax

The income of the trust fund belongs to the beneficiaries and is taxed on them along with any other income they have.

Trust income that are interest distributions may be covered by the beneficiary's personal savings allowance (£1,000 for somebody who is not a higher/additional rate taxpayer). Trust income that is dividend income may be covered by the dividend allowance of £2,000. Either form of income may be covered by the beneficiary's personal allowance.

Special rules apply if the beneficiary is your child under age 18.

Your professional adviser will explain how income tax will affect the trust.

Capital gains tax (CGT)

If you are putting an existing investment into a trust, this will be a disposal for CGT purposes and you will need to pay any capital gains tax due.

As the trust fund belongs to the beneficiaries any capital gains arising when the trustees sell any of the investments will be taxed as the beneficiaries' gain. The beneficiaries have their own annual exemption (£3,000 in the tax year 2024/25).

Your professional adviser will explain how capital gains tax will affect you and the trust.

HMRC Trust Register

We will require proof of registration with the HMRC Trust Register before we can complete set up of your account. A PDF downloaded from the Register is sufficient.

These notes are part of a series provided by Scottish Widows Platform and give general information only. They are based on our understanding of law and practice in February 2024, which can change over time. No investment or tax decision should be made on the basis of these notes alone. Customers must always take their own professional advice regarding the suitability of the Scottish Widows Platform Bare Trust for their needs.

SCOTTISH WIDOWS

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