

Making tax easier for trusts and estates (Lecture P1174 – 4.46 minutes)

In FA 2016, the requirement to deduct basic rate tax on income from banks, building societies and National Savings and Investments was removed and interest from these sources has been paid gross with effect from 6 April 2016.

As a result, trustees and personal representatives now have increased reporting requirements. For example, trustees of an interest in possession settlement would normally have had no tax to pay on any interest which they received from trust investments up to 2015/16, given that the basic rate tax deducted at source franked their income tax liability. For 2016/17 onwards, this interest has been subject to a 20% tax charge and, of course, the personal savings allowance is not available to these taxpayers.

HMRC therefore introduced an interim arrangement under which trustees and personal representatives do not have to submit returns or make payments where their only source of income is savings interest and the resulting tax liability would be less than £100.

It was announced in the HMRC Trusts and Estates Newsletter for August 2019 that this arrangement has been extended to cover 2019/20 and 2020/21, with HMRC committing to review the situation in the longer term.

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