

Trusts

Purpose

This unit enables financial planning professionals to develop knowledge and understanding of the various types of trusts, including the legal principles and taxation considerations associated with the creation and management of a trust.

Learning outcomes

At the end of this unit, candidates will be able to:

Summary of learning outcomes	
1.	Explain the structure of a trust and the roles of the main parties
2.	Explain how trusts are created
3.	Explain the rules covering the investment of trust assets and the administration of trusts
4.	Explain substituted decision making
5.	Explain the use of Wills and the consequences of dying intestate
6.	Explain the role of the trustee in bankruptcy
7.	Analyse how trusts are subject to tax
8.	Explain how life, pension and other investments can be placed in trust;
9.	Apply effective trust and related tax planning solutions

Important notes

- This syllabus will be examined from 1 September 2024 to 31 August 2025.
- Candidates will be examined on the basis of English Law and practice in the tax year 2024/2025 unless otherwise stated.
- The general rule is that exams are based on the English legislative position three months before the date of the exams.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
 1. Visit www.cii.co.uk/qualifications
 2. Select the appropriate qualification
 3. Select your unit from the list provided
 4. Select qualification update on the right hand side of the page

This PDF document has been designed to be accessible with screen reader technology. If for accessibility reasons you require this document in an alternative format, please contact us on online.exams@cii.co.uk to discuss your needs.

1. Explain the structure of a trust and the roles of the main parties

- 1.1 Explain the legal structure of a trust;
- 1.2 Describe the role and legal standing of the main parties of a trust;
- 1.3 Explain why trusts are used including their benefits and drawbacks.

2. Explain how trusts are created

- 2.1 Explain the different methods and rules of creating a trust;
- 2.2 Describe the various types of trusts;
- 2.3 Describe the main types of trust property.

3. Explain the rules covering the investment of trust assets and the administration of trusts

- 3.1 Describe the rules covered in the Trustee Act 2000 and other relevant legislation;
- 3.2 Explain variation of trusts;
- 3.3 Explain charitable trusts;
- 3.4 Explain the rules covering the creation and maintenance of offshore trusts;
- 3.5 Explain the rules covering the administration of trusts.

4. Explain substituted decision making

- 4.1 Explain the rules covering the various types of Powers of Attorney;
- 4.2 Describe the role of the Court of Protection;
- 4.3 Describe the role of the Office of the Public Guardian;
- 4.4 Describe the rules covered in the Mental Capacity Act 2005 and other relevant legislation.

5. Explain the use of Wills and the consequences of dying intestate

- 5.1 Explain the requirements for and benefits of making a valid Will;
- 5.2 Explain the rules of intestacy;
- 5.3 Explain the process for changing a Will/intestacy after death;
- 5.4 Explain the implications of revoking, challenging or changing circumstances of Wills;
- 5.5 Describe the role of the executor and administrator of an estate.

6. Explain the role of the trustee in bankruptcy

- 6.1 Describe the roles of the main parties involved in the bankruptcy process;
- 6.2 Explain the effects of bankruptcy on trusts.

7. Analyse how trusts are subject to tax

- 7.1 Explain the tax liability of trustees and their responsibilities under self-assessment;
- 7.2 Analyse the implications of Income Tax in relation to the various types of trusts;
- 7.3 Analyse the implications of Capital Gains Tax in relation to the various types of trusts;

- 7.4 Analyse the implications of Inheritance Tax in relation to the various types of trusts;
- 7.5 Explain the main Income Tax and Capital Gains Tax provisions for estates of deceased persons;
- 7.6 The relevance of residence and domicile on the parties to a trust.

8. Explain how life, pension and other investments can be placed in trust, and the tax implications

- 8.1 Explain how life, pension and other investments can be placed in trust;
- 8.2 Describe the reasons for placing life, pension and other investments in trust;
- 8.3 Describe trustees' responsibilities for life, pension and other investments in trust;
- 8.4 Explain the tax implications on life, pension and other investments in trust.

9. Apply effective trust and related tax planning solutions

- 9.1 Apply trust and related tax planning solutions to meet client objectives and minimise tax liabilities;
- 9.2 Describe events which may give rise to the need for a review of trust arrangements.

Reading list

The following list provides details of further reading which may assist you with your studies.

Note: The examination will test the syllabus alone.

The reading list is provided for guidance only and is not in itself the subject of the examination.

The resources listed here will help you keep up-to-date with developments and provide a wider coverage of syllabus topics.

CII study texts

Trusts. London: CII. Study text J02.

Personal taxation. London: CII. Study text R03.

Financial protection. London: CII. Study text R05.

Books/eBooks

The following eBooks are available via www.cii.co.uk/elibrary (CII/PFS members only):

Equity and trusts: a problem-based approach. Judith Riches. Abingdon, Oxon: Routledge, 2017. *

Understanding equity and trusts. 6th ed. Alastair Hudson. Abingdon, Oxon: Routledge, 2017. *

Equity and trusts. Alastair Hudson. 10th ed. London: Routledge-Cavendish, 2022. *

Journals and magazines

Financial adviser. London: FT Business. Weekly. Available online at www.ftadviser.com.

Financial times. London: Financial Times. Daily. Available online at www.ft.com.

Personal finance professional. London: CII. Four issues a year. Available online at www.pfp.thepfs.org (CII/PFS members only).

Money marketing. London: EMAP Publishing Limited. Weekly. Available online at www.moneymarketing.co.uk.

Further articles and technical bulletins are available at www.cii.co.uk/learning/learning-content-hub (CII/PFS members only).

Reference materials

International dictionary of banking and finance. John Clark. Hoboken, New Jersey: Routledge, 2013. *

Harriman's financial dictionary: over 2,600 essential financial terms. Edited by Simon Briscoe and Jane Fuller. Petersfield: Harriman House, 2013. *

HMRC Trusts and Estates: Detailed information. Available online at www.gov.uk/topic/personal-tax/trusts

Tolley's Administration of Estates. Various authors. LexisNexis, 2000.

Tolley's Administration of Trusts. Various authors. LexisNexis, 1999.

Examination guides

Guides are produced for each sitting of written answer examinations. These include the exam questions, examiners' comments on candidates' performance and key points for inclusion in answers.

You are strongly advised to study exam guides from the last two sittings. Please visit www.cii.co.uk/learning/qualifications to access online or contact CII Customer Service for further information on +44 (0)20 8989 8464.

Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.

* Also available as an eBook through eLibrary via www.cii.co.uk/elibrary (CII/PFS members only).