

Welcome to a shortened fifth edition of Observation due to a couple of interesting points arising in the budget. If you have any feedback or comments we would welcome your views.

## ***Bond Wrappers—The Bell Tolls...***

We were interested to hear feedback from a big four accountancy firm on Thursday morning that the budget did not really have a big impact for the tax industry other than a minor change to the treatment of interest in possession (IIP) and accumulation & maintenance (AM) trusts. This was in stark contrast to the sound of thuds emanating from the Marlborough Trust office on Wednesday being the noise of people falling off their chairs as the wider impact of this change to trusts sank in.

Budget Note 25 will become the stuff of legends in the life insurance and IFA industry for the foreseeable future by bringing IIP trusts into the charging regime as it currently exists for discretionary trusts. Virtually every bond wrapper written in the UK for UK resident and domiciled individuals is written into an IIP so that after 7 years the value of the bond will pass to their beneficiaries free of inheritance tax.

This is no longer effective for IHT as the tax charge imposed for establishing and maintaining the trust is likely to be more than the ultimate tax saved.

Did Gordon introduce this on purpose or was it by accident? Either way expect a lot of government lobbying over the next few weeks (and maybe some loans to the Labour Party from the Life companies?)

So what are IFA's to do now that their biggest revenue earner has been snatched away? Likewise the number of tax professionals using bond wrappers for IHT planning had increased over the last few years as other methods for avoiding IHT had been stopped.

The answer? Currently we have not got a clue.....however we are working on an entirely new product that will allow investments into recognised markets and be outside the scope of IHT. We expect this product to take some time to develop but watch this space.

For any further information on the budget impact or the changes to trust tax treatment please contact: [ben.tustin@marlboroughtrust.com](mailto:ben.tustin@marlboroughtrust.com)

## ***SDLT— Unit Trust Killed in Bungee Jump***

Yes it has finally happened, the extreme sport of using unit trust seeding relief to avoid SDLT on property transactions has finally been killed off. The extreme sport was becoming so popular that an accident such as this was unfortunately inevitable. But what lessons can be learnt from this? Make hay while the sun shines!

## ***SDLT— Alternative Sports***

The death of PUTs is not the end of the world. We are currently assisting with a number of arrangements for mitigating SDLT, further details are available from: [nick.hannah@marlboroughtrust.com](mailto:nick.hannah@marlboroughtrust.com)

