
Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2023, Paragraph 10. (See end of Document for details)

SCHEDULES

SCHEDULE 2

ESTATES IN ADMINISTRATION AND TRUSTS

PART 2

LOW INCOME TRUSTS AND ESTATES

CHAPTER 1

INCOME TAX

Low income estates and trusts: tax liability of personal representatives and trustees

- 10 (1) Chapter 3 of Part 2 of ITA 2007 (calculation of income tax liability) is amended as follows.
- (2) In section 23 (the calculation of income tax liability), at the end of Step 2 insert—
- “See also [section 24B](#) which provides that a taxpayer’s net income is taken to be £0 in certain cases.”
- (3) After section 24A insert—

“24B Calculation of net income at Step 2 for low income estates and trusts

- (1) [Subsection \(2\)](#) applies in relation to a taxpayer if—
- (a) they are the personal representative of a deceased person and, ignoring this section, their net income in that capacity at the end of Step 2 of the calculation in section 23 would be equal to or less than the de minimis estates amount, or
 - (b) they are the trustee of a settlement (“the relevant settlement”) and, ignoring this section, their net income in that capacity at the end of that Step would be equal to or less than the de minimis trusts amount.
- (2) The taxpayer’s net income in their capacity as a personal representative of a deceased person or trustee of a settlement (as the case may be) at the end of Step 2 of the calculation in section 23 is taken to be £0.
- (3) The de minimis estates amount is £500.
- (4) The de minimis trusts amount is—
- (a) £500, or
 - (b) in a case where [subsection \(5\)](#) applies, the higher of—
 - (i) £100, and

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(ii) the settlor's threshold amount.

- (5) This subsection applies where—
- (a) the settlor in relation to the relevant settlement is also the settlor in relation to one or more qualifying settlements,
 - (b) ignoring this section, the trust rate income (within the meaning of Part 9) for the tax year of the trustees of the relevant settlement would be greater than £0, and
 - (c) the relevant settlement is a settlement in respect of which each of the conditions mentioned in [subsection \(9\)](#) is met throughout the tax year.
- (6) The settlor's threshold amount is the amount given by—

$$\frac{\pounds 500}{QS + 1}$$

where QS is the total number of qualifying settlements.

- (7) If there is more than one settlor in relation to the relevant settlement—
- (a) calculate the threshold amount of each of them, and
 - (b) use the lowest of those threshold amounts for the purposes of [subsection \(4\)\(b\)\(ii\)](#).
- (8) A settlement is a “qualifying settlement” if—
- (a) it is not the relevant settlement,
 - (b) it is in existence at a time during the tax year,
 - (c) ignoring this section, the trust rate income (within the meaning of Part 9) for the tax year of the trustees of the settlement would be greater than £0, and
 - (d) it is a settlement in respect of which each of the conditions mentioned in [subsection \(9\)](#) is met throughout the tax year.
- (9) The conditions are—
- (a) the property comprised in the settlement is not held for a pensions purpose within the meaning of paragraph 7(3) of Schedule 1C to TCGA 1992 (property comprised in settlements held for a pensions purpose);
 - (b) no income arising under the settlement is treated as the income of the settlor as a result of section 624 of ITTOIA 2005 (income where settlor retains an interest);
 - (c) the settlement is not a qualifying trust within the meaning of section 34 or 35 of FA 2005 (trusts for the benefit of disabled persons or relevant minors);
 - (d) the settlement is not a heritage maintenance settlement within the meaning of Chapter 10 of Part 9 (heritage maintenance settlements) (see section 507(2) and (3)).”

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