
Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2023, Part 2. (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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Low income estates: tax liability of beneficiaries

- 11 (1) Chapter 6 of Part 5 of ITTOIA 2005 (beneficiaries' income from estates in administration) is amended as follows.
- (2) In section 649 (charge to tax on estate income), after subsection (1) insert—
- “(1A) But income tax is not charged on estate income so far as that income consists of a basic amount which section 679 treats as having been paid from de minimis aggregate income.
- (1B) In [subsection \(1A\)](#), “de minimis aggregate income” means aggregate income of an estate which is treated as bearing income tax at 0% because of section 680(1A).”
- (3) In section 656 (income charged: UK estates), in subsection (1), for “tax is charged under section 649” substitute “the charge to tax under section 649 is a charge”.
- (4) In section 657 (income charged: foreign estates), in subsection (1), for “tax is charged under section 649” substitute “the charge to tax under section 649 is a charge”.
- (5) In section 679 (income from which basic amounts are treated as paid)—
- (a) in subsection (3) (as amended by [paragraph 5\(a\)](#)), at the end insert “(subject to [subsection \(3A\)](#))”;
- (b) after that subsection insert—
- “(3A) For the purposes of assumption B, where those parts include—
- (a) income bearing income tax at 0% by virtue of section 680(1A), and
- (b) other income bearing income tax at 0%,
- payments are to be made from income within [paragraph \(a\)](#) after income within [paragraph \(b\)](#).”
- (6) In section 679A (income from which sums within section 668(1)(b) are treated as paid) (inserted by [paragraph 2\(3\)](#))—
- (a) in subsection (3), at the end insert “(subject to [subsection \(3A\)](#))”;
- (b) after that subsection insert—
- “(3A) For the purposes of assumption B, where that income includes—
- (a) income bearing income tax at 0% by virtue of section 680(1A), and
- (b) other income bearing income tax at 0%,
- sums are to be paid from income within [paragraph \(a\)](#) after income within [paragraph \(b\)](#).”
- (7) In section 680 (income treated as bearing income tax)—
- (a) after subsection (1) insert—
- “(1A) If, in the case of a UK estate, the aggregate income of the estate for a tax year is equal to or less than the de minimis estates amount (within the meaning of [section 24B](#) of ITA 2007), the aggregate income of the estate for that tax year is treated as bearing income tax at 0%.”;
- (b) for subsection (2) substitute—
- “(2) If—

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- (a) [subsection \(1A\)](#) does not apply to treat the aggregate income of the estate for a tax year as bearing income tax at 0%, and
- (b) the aggregate income of the estate for that tax year includes a sum within [subsection \(2A\)](#) or (4),
the sum is treated as bearing income tax at the rate specified for it in that subsection.”;
- (c) in [subsection \(5\)](#), after “sums within this section” insert “or from aggregate income treated as bearing income tax at 0% by virtue of [subsection \(1A\)](#)”.

CHAPTER 2

CORPORATION TAX

Low income estates: tax liability of beneficiaries

- 12 (1) Chapter 3 of Part 10 of CTA 2009 (beneficiaries’ income from estates in administration) is amended as follows.
- (2) In section 934 (charge to tax on estate income), after [subsection \(1\)](#) insert—
- “(1A) But corporation tax is not charged on estate income so far as that income consists of a basic amount which [section 962](#) treats as having been paid from de minimis aggregate income.
- (1B) In [subsection \(1A\)](#), “de minimis aggregate income” means aggregate income of an estate which is treated as bearing income tax at 0% because of [section 963\(1A\)](#).”
- (3) In [section 941](#) (income charged: UK estates), in [subsection \(1\)](#), for “tax is charged under [section 934](#)” substitute “the charge to tax under [section 934](#) is a charge”.
- (4) In [section 942](#) (income charged: foreign estates), in [subsection \(1\)](#), for “tax is charged under [section 934](#)” substitute “the charge to tax under [section 934](#) is a charge”.
- (5) In [section 962](#) (income from which basic amounts are treated as paid)—
- (a) in [subsection \(3\)](#) (as amended by [paragraph 9\(a\)](#)), at the end insert “(subject to [subsection \(3A\)](#))”;
 - (b) after that [subsection](#) insert—
- “(3A) For the purposes of assumption B, where those parts include—
- (a) income bearing income tax at 0% by virtue of [section 963\(1A\)](#), and
 - (b) other income bearing income tax at 0%,
- payments are to be made from income within [paragraph \(a\)](#) after income within [paragraph \(b\)](#).”
- (6) In [section 962A](#) (income from which sums within [section 951\(1\)\(b\)](#) are treated as paid) (inserted by [paragraph 7\(3\)](#))—
- (a) in [subsection \(3\)](#), at the end insert “(subject to [subsection \(3A\)](#))”;
 - (b) after that [subsection](#) insert—
- “(3A) For the purposes of assumption B, where that income includes—

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- (a) income bearing income tax at 0% by virtue of section 963(1A), and
 - (b) other income bearing income tax at 0%,
- sums are to be paid from income within paragraph (a) after income within paragraph (b).”

(7) In section 963 (income treated as bearing income tax)—

(a) after subsection (1) insert—

“(1A) If, in the case of a UK estate, the aggregate income of the estate for a tax year is equal to or less than the de minimis estates amount (within the meaning of section 24B of ITA 2007), the aggregate income of the estate for that tax year is treated as bearing income tax at 0%.”;

(b) for subsection (2) substitute—

“(2) If—

- (a) subsection (1A) does not apply to treat the aggregate income of the estate for a tax year as bearing income tax at 0%, and
- (b) the aggregate income of the estate for that tax year includes a sum within subsection (3), (3A) or (4),

the sum is treated as bearing income tax at the rate specified for it in that subsection.”;

(c) in subsection (5), after “sums within this section” insert “or from aggregate income treated as bearing income tax at 0% by virtue of subsection (1A) ”.

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