

ISLE OF MAN PROBATE TRUST CASE STUDY

INTRODUCTION

The Isle of Man Probate Trust is designed for those individuals who wish to avoid the need for Isle of Man Probate upon their death.

The settlor is the sole beneficiary and can demand transfer of the plan from the trustees at any time.

On the settlor's death, the value of the plan is included in his or her estate for UK Inheritance Tax purposes.

For further information regarding the Isle of Man Probate Trust, please refer to our Guide to Trusts.

CASE STUDY

Luke is domiciled and resident in England. He invested £200,000 into one of our offshore plans, written on the joint lives of himself and his wife, Amy.

He realises that upon his death, Isle of Man Probate will be required and would have to be paid before the plan could be transferred to his executors (and subsequently assigned to another individual in accordance with the terms of his will).

His executors or appointed solicitors, would have to undertake the administrative work associated with the Probate application, which can be time consuming. In addition, even if the paperwork is submitted correctly, the process can take around 4-6 weeks before Probate is granted.

Having discussed the matter with his financial adviser, Luke decides to transfer his plan to an Isle of Man Probate Trust. Luke will be the sole beneficiary and, if required can instruct the Trustees to transfer ownership of the plan back to him.

His adviser explains that Luke's wife and his executor could be also be additional trustees.

The reason for this is if there are no surviving trustees upon Luke's death, then Probate will be required before replacement trustees can be appointed.

From time to time Luke asks his trustees to make withdrawals from the plan and pay these direct into his personal bank account.

These withdrawals are calculated to fall within the available 5% tax deferred "allowance" with no immediate income tax liability.

Luke dies 15 years after establishing the trust. Amy survives him. As the plan was written on a joint life basis, it does not come to an end on Luke's death. As it is held by trustees (in an Isle of Man Probate Trust) the plan is not an asset of Luke's estate for Isle of Man Probate purposes.

Under the terms of his will, Luke has left the plan specifically to Amy and the trustees assign it to Amy in accordance with his wishes. Although the value of the plan at the time of Luke's death is in his estate for UK Inheritance Tax

purposes, the spouse exemption applies and no Inheritance Tax is payable on his death.

PROBATE FEES

Gross estate value	Fee payable
Does not exceed £10,000	£28.20
Exceeds £10,000 but not £50,000	£166.50
Exceeds £50,000	£260.50*

* This amount represents the fees payable (as per the Court Services Fees Order 2020) for Probate and Administration in the Isle of Man where the only asset is an Isle of Man insurance policy, whose value exceeds £50,000.

IMPORTANT NOTES

For financial advisers only. Not to be distributed to, nor relied on by, retail clients.

Finally, please note that every care has been taken to ensure that the information provided is correct and in accordance with our understanding of current law and practice with Her Majesty's Revenue and Customs' (HMRC) as at March 2021. You should note however, that we cannot take on the role of an individual taxation adviser and independent confirmation should be obtained before acting or refraining from acting upon the information given. The law and HMRC practice are subject to change.