ISLE OF MAN PROBATE TRUST

HOW DOES IT WORK?

The RL360 **Isle of Man Probate Trust** is designed for those individuals who wish to avoid the need for obtaining Isle of Man Probate upon their death. This allows the plan proceeds to be paid without undue delay.

If the client is UK domiciled, then upon the client's death, the value of the plan is included in his or her estate for UK Inheritance Tax (IHT) purposes.

The client can submit the Isle of Man Probate Trust deed which nominates the trustees and the client is appointed as the sole beneficiary.

Once assigned into the trust, all trustee signatures will be required for any instructions to RL360 (this includes any changes to the plan and any withdrawals or surrender requests).

As the client is the sole beneficiary, the client can have access to the monies from the plan.

Upon the client's death, Isle of Man probate would then be avoided.

ISSUES FOR CONSIDERATION

- The Isle of Man Probate Trust can be used with a new application for an RL360 plan, or with an existing RL360 plan. However, this cannot be used where the existing plan is owned by a company or a trust.
- If it is decided at a later date that the client no longer wishes to have the plan in the trust, then the trustees can assign the ownership of the plan back to the client.
- Upon the death of the client, **the trustees are bound by the terms of the clients will or the laws of intestacy** as to who they can distribute the proceeds of the plan to.
- If there are surviving lives assured, or the plan is written on a capital redemption basis, the trustees can assign the ownership of the plan or plan segments to a beneficiary aged 18 or over.
- **If the client is UK domiciled**, please note that the trust does not provide any UK Inheritance Tax (IHT) benefits. The value of the plan will form part of the client's estate for UK IHT.

RL360°

CASE STUDY

Luke is resident in Brazil but is still domiciled in the UK. He invested £200,000 into an RL360 insurance based product, written on a capital redemption basis.

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.

Luke dies 15 years after establishing the trust. Amy, his wife who is also UK domiciled, survives him. As the plan was written on a capital redemption 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	£31.50
Exceeds £10,000 but not £50,000	£188.50
Exceeds £50,000	£295.50*

* This amount represents the fees payable (as per the Court Services Fees Order 2024) 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

The information contained in this document is based on our current understanding of the law and HM Revenue and Customs (HMRC) practice. RL360 does not provide tax or legal advice. Anyone using this document or relying on the information contained within it, should ensure that they are appropriately advised before they decide to use it or not. RL360 cannot be held responsible for any unintended consequences as a result of using this document or the information contained within it.

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