taxation.co.uk 23 April 2026

TAXATION

Since 1927 the leading authority on tax law, practice and administration



Navigating the rising use of trusts

Yogesh Patel and Craig Elliott outline the key administration considerations for advisers

Tolley®
Tax intelligence from LexisNexis®

Andrew Hubbard offers his annual review of the tax profession

HMRC is 21 years old. Neil Warren reflects on its past, present and future

Alun Oliver discusses the Supreme Court's decision in *Ørsted West of Duddon Sands (UK) Ltd*

Navigating the rising use of trusts

As trusts gain popularity in light of a changing inheritance tax environment, Yogesh Patel and Craig Elliott outline the key administration considerations for advisers with clients aiming to secure the benefits of this estate planning tool.

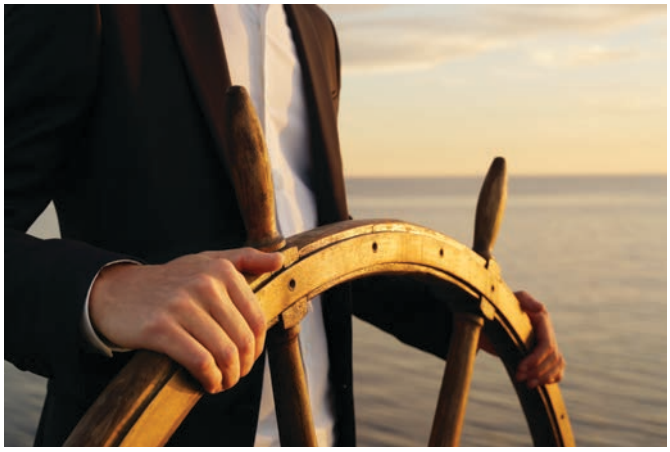
When take-up of a tax planning tool grows by over 15% in a year, as is the case for trusts and estates, you can be sure tax advisers are both keenly familiarising themselves with the associated complex compliance and sharing explanations with their clients. They need to understand the implications of calling on a wealth planning and asset structuring tool that may have more complicated administrative requirements than they are used to.

Recent tax developments have pushed many individuals and their advisers to reassess their long-term financial and succession strategies, with trusts playing an increasing role. HMRC's data (tinyurl.com/hmrctruststatsdec25) shows that of the 835,000 trusts and estates on the Trust Registration Service (TRS), 121,000 were registered during the 2024-25 UK tax year and we expect their use to continue rising.

However, once they have experienced the process first-hand, most tax advisers recognise that despite the advantages of trusts, managing them from creation to exit comes with substantial administrative and compliance requirements.

Key points

- Early co-ordination needed between solicitors, tax advisers and valuers.
- Compliance involves multiple overlapping administration deadlines – 90 days to four years.
- Registering the trust is often delayed given the extensive personal information required for trustees and beneficiaries within the strict 90-day window.
- Most lifetime transfers into trust require an IHT100a and potentially additional schedules and further disclosures.
- Holdover relief can be used to defer capital gains tax gains on transfers into discretionary trusts where conditions are met.
- Trusts require two separate HMRC authorisations, one for Trust Registration Service access and one for tax compliance.



© Getty Images

***Example**: A high value family company is owned and run jointly by a number of siblings, who are aware of the new business property relief (BPR) rules coming into effect from April 2026. To allow for intergenerational planning for their children and minor grandchildren, both current and future, they are considering settling some of their share ownership into a trust.*

Trust administration – an advisory collaboration

Establishing a trust requires careful co-ordination between legal, tax and, potentially, valuation advisers, followed by ongoing compliance and administrative oversight.

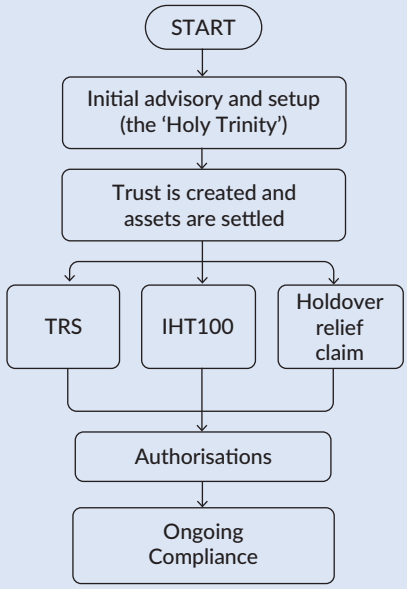
Why trust trusts?

Objective	Why
Asset protection	Trusts help safeguard assets against potential claims, creditor exposure, marital breakdown or concerns about a beneficiary's financial maturity or reliability.
Control and flexibility	They allow settlors to influence how and when assets are distributed – particularly helpful for minors, vulnerable individuals or multi-generational planning.
Tax efficiency	With the upcoming capping of business property relief to £2.5m per individual, many business owners are now using trusts to hold appreciating business assets more efficiently. This can result in an inheritance tax charge of up to 6% on any ten-year anniversary of the settlement, on its value at that anniversary, rather than a 40% death charge.

First, the settlor and/or prospective trustee will need to identify assets intended for settlement and confirm their ownership. They should then consider engaging the following parties.

Who?	Why?
Solicitor	● Prepare the trust deed, ensure the trustees' powers, duties and discretion align with the settlor's intention. ● Insert various protections for beneficiaries in the trust deed as well as consider a letter of wishes from the settlor for additional non-binding guidance.
Tax adviser	● Provide tax advice on the inheritance tax (IHT), capital gains tax and income tax implications arising on settlement, during the lifetime of the trust and exits from the trust. ● Determine if a chargeable lifetime transfer (CLT) will arise on initial settlement. ● Complete the IHT100a form. ● Assess the availability of reliefs and exemptions. ● Explain the tax pool and how tax paid should be tracked. ● Prepare relevant HMRC submissions.
Valuer	● Confirm valuations for properties, unlisted shareholdings (with minority discounts, if available), excepted assets and other business interests, for example quoted/unquoted investments. This will help determine the overall IHT position in the estate and support the various administrative submissions.
Accountant	● Assist with preparing accurate accounts (which can help determine the amount of tax entering and leaving the tax pool.

UK trust administration initial compliance flowchart



***Example continued**: The client consulted the solicitors, who advised on settling two separate trusts – one for the second-generation adult children and one for the third-generation grandchildren. The tax advisers then produced a comprehensive report outlining the tax implications, together with the immediate and ongoing administrative requirements and estimated costs involved. After clarifying the loss to donor rules and the identified potential valuation discounts, a professional valuer was engaged.*

> "This broad spread of deadlines creates a real compliance risk."

HMRC administration deadlines – compliance risk

The deadlines applying to UK trust administration are wide-ranging, with requirements extended from as little as 90 days to as long as four years (see table). This broad spread of deadlines creates a real compliance risk, as trustees may easily fall foul of the rules if key preparatory steps are not taken early.

Requirement	Deadline	Details	Penalty
Trust registration (most trusts)	90 days from the date the trust becomes registrable or liable to UK tax.	Applies to both taxable and non-taxable express trusts.	In practice, HMRC does not automatically penalise late TRS registrations, but a penalty of up to £5,000 may apply if a required trust is not registered.
Claim for holdover relief	Four years from the end of the tax year in which the disposal or transfer occurred.	Typically claimed using HS295 form submitted to HMRC and reported via self-assessment.	
IHT100a when first settling (IHT100d every ten years)	Six months from the end of the month in which the chargeable event occurred.	Trustees must report and pay IHT on transfers into or out of a trust and on ten-year anniversaries.	£100 if not filed by the due date, a further £100 after six months, followed by daily penalties of £60.

The valuer – a potentially crucial third party

Where trust settlements involve shares, particularly unquoted shares and situations where valuation discounts may be available, the involvement of a professional valuer is considered best practice. This forms part of the essential 'holy trinity' of professional advisers.

What?	Why?
Minority discounts	The value of a minority shareholding is often less than a pro rata share of the total company value due to lack of control and influence over company decisions.
Lack of marketability discounts	Shares in private companies are typically less liquid than those in listed companies and may be subject to a further discount.
Marriage value	Where combining shareholdings would create or enhance a controlling interest, the resulting uplift in value adds further complexity to the allocation of value and discount.

A professional valuer will apply any discount appropriately and use accepted methodology and market evidence to assist in their approach, aiming to ensure that any applied discount is in line with HMRC expectations.

However, it may be difficult to obtain valuations of some assets, such as money sitting in certain foreign properties or even in a foreign casino. Foreign currency movements can also impact whether IHT is payable (especially if a foreign currency is volatile or devalued).

***Example continued**: Upon engagement with a professional valuer, it was determined that a substantial discount on the shares being settled into trust was available, driven by minority shareholdings and marketability discounts.*

Trust Registration Service – beat the clock

Advisers who have been through the TRS process will know that gathering the required information within HMRC's 90-day registration deadline can be a challenge. While much of the core trust information may be collected during onboarding, or as part of the initial tax advice, other elements, particularly those relating to individuals connected with the trust, can be more difficult to obtain.

For most advisers, the trust-specific data is not the issue. By the time TRS registration is being considered, they will usually have the details of the trust (including the name, date of creation and type of trust) and the asset information (including the description of the asset and the estimated value of the assets settled at the time of registration). However, this may not be the case for will trusts.

The more challenging part lies in the personal information required for other parties, such as the lead trustee.

The lead trustee and the mountain of information

The lead trustee acts as the main point of contact for HMRC and is legally responsible for completing the registration and ensuring the TRS record is kept up to date (although this responsibility is usually handed to a tax agent).

For the lead trustee, HMRC requires a substantial amount of identifying information and, in practice, this is often the slowest part of the preparation process.

The detail in the TRS – a devil of a job

The ***Table of information*** required for TRS registration (particularly for the lead trustee) demonstrates just how detailed the process can be. As can be seen, HMRC expects a significant volume of identifying data, which must be accurate and kept up to date to avoid compliance issues.

To submit or not to submit?

Optional data fields need to be completed only if specifically requested by HMRC, or when the trust is taxable and the individual concerned is a beneficial owner. Nonetheless, providing this additional information can help to streamline future updates, proving beneficial in various ways:

- facilitating smoother future verification processes;
- reducing the likelihood of HMRC queries;
- strengthening due diligence, particularly if individuals later become taxable or the trust's status changes.

However, trustees should remain mindful of data protection obligations. Optional information should only be included where it is relevant, accurate and necessary for the trust's administration or future compliance.

***Example continued**: A good chunk of the TRS information was collected in the initial due diligence for the tax advisory work. The remainder was requested around the date of settlement and well within the 90-day window. The submission of information about the beneficiaries was agreed with the lead trustee, with data protection considered, and a copy of the TRS draft submission was provided for their review. See **Table of information**.*

IHT100a form – yet more disclosure

The IHT100a form is required where a lifetime gift gives rise to an immediate IHT charge. This includes most lifetime transfers into trust, except in limited scenarios.

Although the IHT100a requires a detailed set of disclosures, much of the information should already be collated during the trust advisory and administration process or the TRS registration process, where the settlor, trustee and asset details are recorded.

The form builds on this, requiring additional information about the transferor, including residence or domicile status. For example, the form asks whether the transferor was a long-term UK resident at the date of the gift and signposts the need to complete Schedule D31a if not.

The IHT100a also provides space for trustees or advisers to claim exemptions and reliefs, which must be set out clearly, with supporting detail. These include normal expenditure out of income and APR/BPR.

Schedule D31/D31a – domicile and residence

Schedule D31 is required in situations where the transferor/settlor is not domiciled in the UK. It is also required if and they are placing reliance on one of the old IHT double taxation treaties (France, Italy, India or Pakistan). This is important for record keeping purposes in case of challenge by HMRC.

Schedule D31a must be completed if the transferor/settlor is not a long-term UK resident, ie they have not been resident of the UK of ten out of the last 20 years.

Holdover relief – a question of beneficiaries

Holdover relief allows the deferral of capital gains tax on certain disposals to or from trusts, so that the gain is not

Table of information

	Lead trustee		Other trustees		Settlor(s)		Beneficiaries		Protectors	
	Individual	Entity	Individual	Entity	Individual	Entity	Individual	Entity	Individual	Entity
Full name	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Date of birth	✓	–	✓	–	✓	–	✓	–	✓	–
Date of death	–	–	–	–	If deceased	–	–	–	–	–
Country of nationality	✓	–	✓	–	✓	–	✓	✓	✓	✓
Country of residence	✓	✓	✓	✓	✓	✓	✓	✓	✓	–
Address	✓	✓	✓ (if no NI or non-res)	✓	✓ (if no NI or non-res)	–	✓ (if no NI or non-res)	–	✓ (if no NI or non-res)	–
Email address	✓	✓	Optional	–	–	–	–	–	–	–
Telephone number	✓	✓	Optional	–	–	–	–	–	–	–
National Insurance number	✓ (if UK res)	–	✓ (if UK res)	–	✓ (if UK res)	–	✓ (if UK res)	–	✓ (if UK res)	–
Passport/ID details	✓ (if non-res	–	✓ (if non-res)	–	✓ (if non-res)	–	✓ (if non-res)	–	✓ (if non-res)	–
Mental capacity	✓	–	✓	–	✓ (if alive)	–	✓	–	✓	–
Business/ charity/trust name	–	✓	–	✓	–	✓	–	✓	–	✓
Unique taxpayer reference (UTR)	–	✓ (if UK reg)	–	✓ (if UK reg)	–	✓ (if UK reg)	–	✓ (if UK reg)	–	✓ (if UK reg)
Registered address	–	✓ (if no UTR)	–	✓ (if no UTR)	–	✓ (if no UTR)	–	✓ (if no UTR)	–	✓ (if no UTR)

Note: Where beneficiaries are a class of persons, eg all descendants or future grandchildren, these can be recorded as one group, given they cannot be easily identified individually. If the members of the class are a distinct and identifiable group, ie children or born grandchildren, they should be recorded as individual beneficiaries.

taxed immediately. Instead, it is 'held over', crystallising only when the recipient disposes of the asset.

This relief is available on settlements of non-cash assets into discretionary trusts, provided the trust is not settlor-interested. A trust becomes settlor-interested where the settlor or their spouse, civil partner or minor children can benefit from it.

At the initial advisory stage, it should be confirmed:

- whether the asset qualifies for holdover relief;
- whether the settlor and spouse are excluded beneficiaries;
- whether any alternative route (such as business asset holdover relief) can apply if the trust holdover relief is unavailable; and
- any risks arising from emigration of the trust, which can trigger clawback. If the trustees become non-UK resident at any point after the holdover relief claim, the held-over gain crystallises and becomes immediately chargeable on the transferor, effectively unwinding the relief.

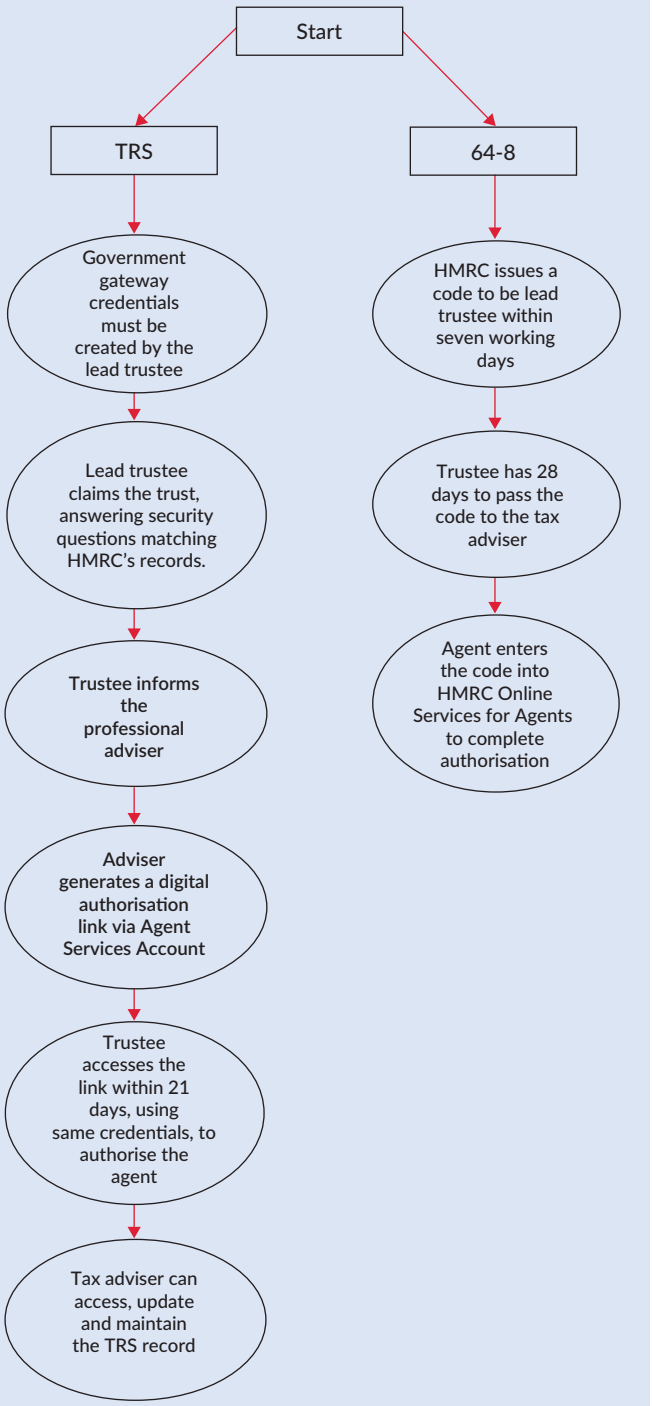
The claim for a transfer into trust and holdover relief is made by the settlor on the HS295 form, which specifies the market value of the asset transferred. Where uncertain or subject to negotiation with HMRC, clearly indicated provisional valuations may be used.

HMRC may subsequently require agreement of final values, particularly for unlisted shares or property.

A completed HS295 form may be submitted with the settlor's self-assessment tax return, or as part of a bulk submission alongside the TRS registration and any IHT100a reporting obligations, which could streamline the compliance process.

***Example continued**: At the advisory stage, it was determined that the settlor and their spouse could not benefit from the settlements. This was confirmed on the relevant trust deeds for the settlements, so claims for full holdover relief were made alongside the TRS and IHT100a/D31 submissions for the settlements into the trust.*

Agent authorisation flowchart



HMRC authorisation – a double whammy

A rather overlooked burden in UK trust compliance is the need to complete two entirely separate HMRC authorisation processes, using different systems and requiring different actions from trustees.

The first tier of authorisation relates solely to accessing, maintaining and updating the trust's TRS record and to downloading the proof of registration document.

The process is digital and trust-specific. Given its complexity, HMRC has produced a 16-step guide (tinyurl.com/224upj89), which it may be prudent to share with clients.

The second tier of authorisation is entirely separate, allowing an adviser to speak to HMRC, file tax returns, update tax records and receive HMRC correspondence on behalf of the trustees. This uses HMRC's standard agent authorisation route – either the form 64-8 or HMRC's online authorisation service.

> "Advisers and clients who methodically work through the process can expect trusts to deliver a robust framework for safeguarding the family balance sheet across generations."

However, the trust must have a unique taxpayer reference (UTR) before this process can begin. The UTR is generated only after TRS registration is completed, meaning TRS authorisation must come first in the timeline.

The two authorisations serve different purposes but are frequently confused. Critically, TRS access alone does not permit an adviser to speak to HMRC and 64-8 authorisation alone does not give them access to TRS.

***Example concluded**: The client needed to provide proof of registration to open a bank account for the trust. After the completion of the TRS, the adviser worked with the client to complete the TRS authorisation. They then downloaded the proof of registration and sent it to the relevant account holder.*

For high net worth families, trusts can be a powerful part of estate planning in a tougher IHT landscape. Advisers and clients who methodically work through the process can expect trusts to deliver a robust framework for safeguarding the family balance sheet across generations. But they should be in no doubt that the administration needs to be managed proactively to avoid compliance headaches. ●

Author details



Yogesh Patel is the managing director of Telic, a Tolley's Award-winning practice specialising in tax advisory services for high net worth individuals and family-owned businesses. He can be contacted on 0208 515 1234 or by email: yogesh@telic.co.uk.



Craig Elliott is a tax manager at Telic. He can be contacted on 0208 515 1234 or by email: craig@telic.co.uk.

FIND OUT MORE
On Taxation.co.uk

- Inheritance tax and discretionary trusts – exit charges: tinyurl.com/ybthwh5r
- Business property relief after April 2026: Succession and tax planning for family businesses: tinyurl.com/2zw8ppzm
- Trust registration service: benefits and challenges: tinyurl.com/524ud96f