

Your manager has had a meeting with Florina and Kanzi who are clients of your firm. Florina's father, Winston, also attended the meeting. The notes prepared following the meeting and an email from your manager setting out the work he requires you to do are set out below.

Meeting with Florina, Kanzi and Winston on 6 September 2017

The meeting was attended by Florina and Kanzi (who have been living together since 1999 but are not married) and Winston (Florina's father).

All three individuals are resident and domiciled in the UK. They have no sources of income or chargeable gains other than those referred to below.

Winston

Winston is in very poor health and is not expected to live for more than 12 months. It is estimated that Winston's total chargeable estate is currently worth £1,400,000. The values of his assets are not expected to change between now and his death.

Winston intends to make a donation of £150,000 to a registered UK charity. This donation will be either a lifetime gift or a legacy from his estate on death.

Winston's current will leaves the whole of his estate to Florina and his two other children.

Winston's only previous lifetime gift was a chargeable transfer, after the deduction of exemptions, of £200,000 to a trust on 1 June 2015.

Winston wants to carry out some sophisticated tax-planning in order to reduce the inheritance tax which will be payable in respect of his death estate.

Email from your manager – dated 7 September 2017

Please carry out the following work.

b) Winston's charitable donation

Prepare calculations, with supporting explanations, to show, by reference to inheritance tax only, whether it is more tax-efficient for Winston to make the charitable donation now or via his will. You should ignore the possibility of any further inheritance tax planning taking place.

Tax manager

Required:

Carry out the work requested in the email from your manager. The following marks are available:

(b) Winston's charitable donation. (6 marks)