

Your manager has sent you the notes she prepared following a meeting with Pippin, an established client of your firm who is resident and domiciled in the UK. The notes together with an email from your manager are set out below.

Meeting notes from your manager – dated 8 June 2017

Receipt of £75,000

Pippin's aunt, Esme, died on 31 January 2017.

On 1 September 2011, Esme's father (Pippin's grandfather) died leaving the whole of his estate to Esme.

However, on 1 January 2012 Pippin received £75,000 but cannot remember whether the money came from Esme or from his grandfather's estate.

On 1 November 2011, Esme had transferred cash of £375,000 to a trust for the benefit of her children.

Extract from an email from your manager – dated 8 June 2017

Please prepare a memorandum for the client files which addresses the following issues:

(ii) Receipt of £75,000

Explain, with supporting calculations, the inheritance tax implications for Pippin of the receipt of the £75,000.

Tax manager

Required:

Prepare the memorandum as requested in the email from your manager.
The following marks are available:

Receipt of £75,000. (5 marks)