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**TRUST LAW**

## Why the use of trusts has declined in the UK

*By Anthony Grant*

New Zealand lawyers tend to be insular in their knowledge of trusts and it can be helpful to consider them in an international context.

I wrote recently about the popularity of trusts in Australia and in this note I give some information about the lack of popularity of trusts in the UK.

Trusts are invariably popular in a favourable tax environment and less popular when the tax environment is hostile.

The popularity of trusts in the UK took a major hit in 2006 when Gordon Brown, the Chancellor of the Exchequer, announced regulatory changes designed to stop trusts from being used to shelter wealth from inheritance tax.

The laws the British Labour government enacted meant most assets transferred into trusts after that time became subject to an immediate 20% charge for inheritance tax. In addition, there was a 6% charge every 10 years after that. A further charge of up to 6% is levied when assets are taken out of a trust.

The popularity of trusts has fallen as a result of another development: a requirement for trusts to be listed on a public register. This took place in 2017 and has been expanded quite significantly this year.

Most settlors prefer secrecy rather than publicity for their trusts.

These negative developments mean the number of trusts filing tax returns in the UK has been reducing for the past five years. The recent decline is not great: 151,000 trusts submitted tax returns in the 2018-2019 tax year which was a reduction of 3,500 from the previous year.

The fact that 151,000 trusts submitted tax returns in such a hostile trust environment can be seen as a vote in favour of trusts by a large number of people. It signifies that despite all the hostility, they can't find an acceptable alternative.

**Anthony Grant is an Auckland barrister specialising in trusts and estates** ✕