Loan Trust

Investor Guide

For use in connection with the
HSBC Life Onshore Investment Bond

HSBC Life

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The purpose of this Investor Guide is to explain how a Loan Trust can be used with the HSBC Life Onshore Investment Bond (the Bond) to help you reduce your potential inheritance tax liability.

It is designed for investors working with their adviser who will guide them on the merits and suitability of the Loan Trust. HSBC Life (UK) Limited does not give advice on trusts and investors are responsible for obtaining their own tax and legal advice before proceeding.

You should also read the following documents:

- HSBC Life Onshore Investment Bond – Key Features
- HSBC Life Onshore Investment Bond – product brochure

Important note

HMRC requires most trusts to be registered with the Trust Registration Service (TRS). In addition, the TRS must be updated with any amendments to the trust, including any change to trustees or named beneficiaries. A copy of the TRS certificate showing that the trust has been registered and/or updated must be provided to HSBC Life before this form an application can be processed. If you require further information about the TRS, including how to register, please visit our website https://www.life.hsbc.co.uk/customers/trs.

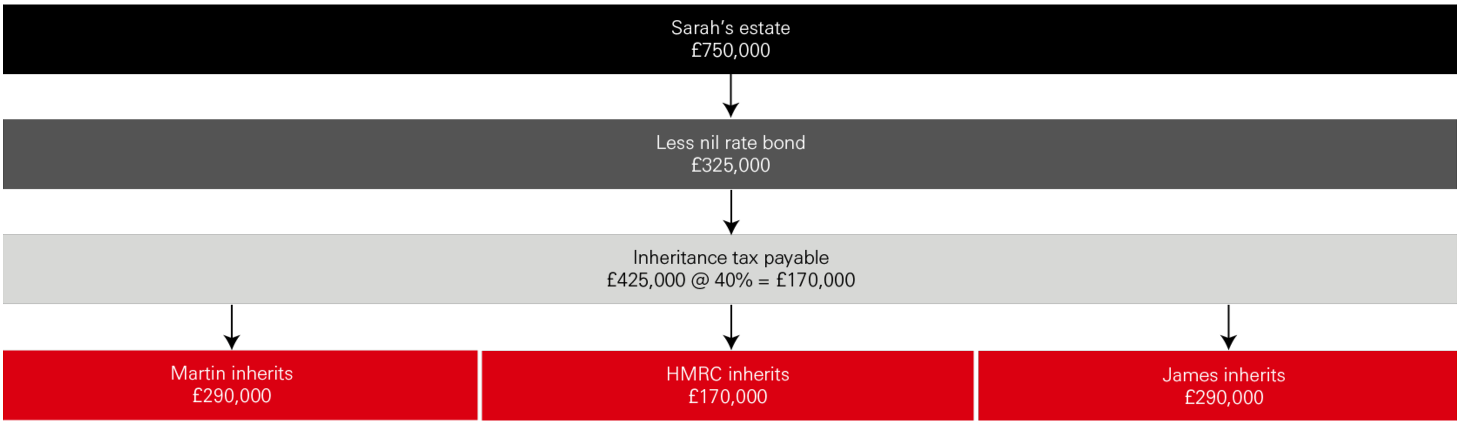
The impact of taxation (and any tax reliefs) depends on your individual circumstances. The information contained in this Investor Guide is based on our understanding and interpretation of current UK tax law and HM Revenue & Customs practice as at April 2025. Tax law and practice may change in the future.

HSBC Life (UK) Limited is not responsible for any action you may or may not take as a result of information contained in this Investor Guide, which you should discuss with your financial adviser.

Why you should consider a Loan Trust

Increasing numbers of people are finding that their estates may be subject to inheritance tax. Everyone is allowed to leave an amount up to £325,000 (the 'nil rate band') to their beneficiaries, without incurring any inheritance tax. Above this limit, inheritance tax on death is charged at 40%. For an estate of £750,000, for example, the tax liability at 40% would be £170,000 (£750,000 - £325,000 x 40%), nearly 23% of the gross estate.

But, inheritance tax is payable and so as can be seen below, Martin and James will each lose £85,000 to HMRC



Consider Sarah, with an estate of £750,000. She is a 75 year old widow who has made no previous gifts for inheritance tax purposes and, since her late husband's entire nil rate band was used on his death, there is nothing left to transfer to her. There are no other inheritance tax reliefs available.

If there was no inheritance tax to pay, her two sons Martin and James would each inherit £375,000 as shown below.

Without careful planning, your beneficiaries may receive less than they otherwise might if the estate you leave them is reduced by a liability to inheritance tax.

Some people are able to consider giving away a substantial sum, either outright or via a Gift Trust, which would have the effect of reducing their potential inheritance tax liability. For further information, please refer to the HSBC Life Gift Trust Investor Guide.

However attractive this may be, not everyone will be able to give up access to large amounts of capital. Some people may wish to begin inheritance tax planning now and have a lump sum to invest but are unable or unwilling to give up complete access to their capital or unwilling to wait for investment growth to build up outside their estate over time. A Discounted Gift Trust (or DGT as it is often referred to) may enable them to achieve an immediate reduction in their estate for inheritance tax purposes, whilst retaining access to a fixed regular stream of payments from the trust to add to their income during their lifetime or until the Bond becomes exhausted. For further information, please refer to the HSBC Life Discounted Gift Investor Guide.

If you are unsure of your income needs and want to retain the ability to access your capital at any time then you can consider a Loan Trust. Under the Loan Trust you create a trust with a loan which your trustees then invest into the HSBC Life Onshore Investment Bond. The Loan Trust provides inheritance tax planning over time by ensuring that any growth on the investment made by your trustees will be outside your estate for inheritance tax purposes. You can demand repayment of your loan in whole or in part at any time but you do not have access to any growth.

Your adviser will advise you of the suitability of a Loan Trust but, generally, an investor for whom this trust would be appropriate will:

- have a net estate exceeding £325,000;
- not wish (or be unable) to give assets away;
- have surplus capital to which they may need access in the future;
- unsure of their future income needs;
- want to prevent any growth on the amount represented by the loan adding to their estate; and
- be at least 18 years of age.

Benefits at a glance

What the trust offers

The Loan Trust is a lump sum investment, held under trust, which enables you to:

- prevent any growth on the amount represented by the loan creating a potential liability to inheritance tax on your estate;
- retain access at any time to the amount represented by the loan during your lifetime; and
- select trustees who will administer the trust and distribute any remaining trust fund to your trust beneficiaries after your death.

Please remember, however, that apart from the loan you will have no access to the investment once you have created the trust.

What the HSBC Life Onshore Investment Bond offers

- **Direct investment into the fund** – the Bond invests directly into collective investments such as open-ended investment companies (OEICs) and unit trusts, not 'mirror funds'.
- **Flexibility** – your Bond can be split into a maximum of 1,200 segments to allow tax planning flexibility.
- **Transparent charging structure** – all transactions are undertaken through a cash account showing charges for investment, administration and adviser fees.
- **Individual tax calculations** – we calculate the corporation tax liability individually for each Bond, according to funds held.
- **Transaction Details** – all transactions are undertaken through a cash account making it easy for your trustees to monitor and administer your Bond.
- **Multi-life financial planning** – the ability to have combinations of up to 10 lives insured gives flexibility that will be particularly attractive to trustees.
- **Range of withdrawal options** – annual withdrawals can be set for up to 10% of the original investment and can be taken on a monthly, bi-monthly (every other month), termly (every four months), quarterly, half-yearly or yearly basis.
- **Minimum age** three months for a life insured and 18 years for an applicant.

The value of investments can fall as well as rise and you may not get back what you invested. For some investments this can also happen as a result of exchange rate fluctuations as shares and funds may have an exposure to overseas markets. HSBC Life (UK) Limited cannot be held responsible for the investment performance of your Bond.

The value of any tax benefits described depends on your individual circumstances. Tax rules and rates may change in the future. HSBC Life (UK) Limited cannot be held responsible for any future changes in legislation.

For more details, please refer to the HSBC Life Onshore Investment Bond product brochure and Key Features which can be obtained from your Financial Adviser or from our website www.life.hsbc.co.uk.

How the Loan Trust works

To establish your Loan Trust you (the person creating the trust and described as the settlor in the trust) will make an interest free repayable on demand loan to your trustees. Your trustees invest the loan monies in an HSBC Life Onshore Investment Bond. Any growth over time on the Bond will fall outside your estate, thereby reducing your potential inheritance tax liability, and be held for the benefit of your trust beneficiaries.

Depending on your needs, you can instruct your trustees to repay your loan in instalments, for example at the rate of 5% per year. To maximise inheritance tax savings any loan repayments should be taken and spent otherwise they will form part of your estate for inheritance tax.

Any outstanding loan amount will continue to be an asset of your estate for inheritance tax purposes, so if no repayments are taken the original loan amount would still form part of your estate for inheritance tax purposes.

There are two types of Loan Trust available and you can choose between an absolute and a discretionary trust. For more details about the differences between these two types of trust please refer to page 6.

Paying the benefits

The trust will be administered by the trustees who are responsible for paying your loan repayments when you demand them and benefiting the trust beneficiaries from the trust fund after your death. As the settlor of the trust, you will automatically be a trustee, but you will need to appoint at least one additional trustee.

Please refer to page 12 for more details about the role and responsibilities of the trustees.

Joint settlor trusts

It is possible for the Loan Trust to be set up on a joint settlor basis with your spouse or civil partner. For joint settlor trusts, you will need to appoint at least one additional trustee.

If each of you intends to create your own Loan Trust, your adviser should recommend that you exclude each other from your respective trusts for inheritance tax reasons. This can be accomplished by signing the appropriate box on the HSBC Life Loan Trust deed. Please refer to your adviser for guidance on this.

Your choice of trusts

A Loan Trust can be set up either as a discretionary trust or an absolute trust. When deciding which type of trust, you will need to consider:

- how much flexibility you wish to have in changing the beneficiaries at a later date;
- how much control you wish your trustees to have over the trust fund and how your chosen trust beneficiaries may benefit from it; and
- how the trust will be treated for inheritance tax purposes.

Your adviser will provide guidance on which trust will be most suitable for your circumstances, but the key differences are as follows:

Discretionary trust

This trust may be chosen if you want to retain flexibility over who will benefit.

The discretionary trust has a trust period of 125 years and can benefit many generations of your family.

No beneficiary will have a fixed right to anything; instead it will be up to the trustees to decide who will benefit, in what proportion and when the trust fund is to be distributed.

The trust deed sets out the classes of beneficiaries who can benefit and you can add named individuals to this list.

It is normal to provide your trustees with a letter outlining your wishes about who should benefit but, although they can take your wishes into account, they are not bound to act in accordance with them.

As a result of the flexibility offered by a discretionary Loan Trust, the following inheritance tax implications will arise:

- inheritance tax will potentially be payable on any outstanding loan when you die;
- inheritance tax will potentially be payable in respect of the trust fund on every tenth anniversary of the trust and in respect of exit charges when capital distributions are made to the trust beneficiaries, but it is unlikely that the trust will attract any inheritance tax charge if its value remains below the nil rate band available at the time of each assessment.

For further details please refer to the ‘What about tax?’ section on pages 16 and 17.

Absolute trust

This trust can be used if you know exactly who should benefit from the trust fund after your death. When creating the trust, you must name the trust beneficiaries and specify their share of the trust fund to which they are each entitled.

An advantage of an absolute trust is that your Loan Trust will not be subject to inheritance tax – either on creation, on each tenth anniversary or when payments are made to a beneficiary. For further details please refer to the ‘What about tax?’ section on pages 16 and 17.

A drawback is that you cannot change the trust beneficiaries or their share of the trust fund once the trust is established.

If a beneficiary dies, their share of the trust fund will pass under the terms of their will or on intestacy and you will have no control over who then benefits.

The value of their share of the trust fund (the Bond less any outstanding loan) will form part of the trust beneficiary's estate for inheritance tax.

Also, a beneficiary’s share of the trust fund could be at risk if he or she is involved in marital break-up or a dispute with creditors. The trust fund could potentially be taken into account for any means-tested benefits to which a beneficiary might otherwise be entitled.

Whichever trust is used, the value of the outstanding loan will remain in your estate for inheritance tax purposes.

The Loan Trust in action

How might the Loan Trust help Sarah?

As previously mentioned, Sarah is a 75 year old widow with an estate worth £750,000. She has made no previous gifts for inheritance tax and, since her late husband's entire nil rate band was used on his death, there is none left to transfer to her.

Sarah's estate is worth £750,000 including £200,000 sitting on deposit earning very little interest.

Although she has substantial assets, Sarah's income is insufficient for her needs and she regularly dips into her capital to fund holidays and other treats. She has been taking about £10,000 a year from her capital to supplement her income.

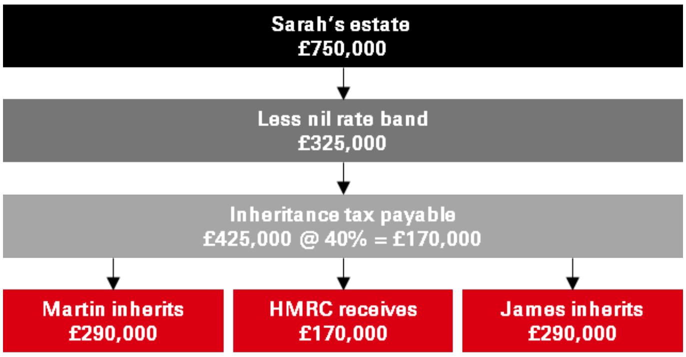
She is prepared to consider mitigating her inheritance tax liability, provided she can retain access to her capital. On the advice of her adviser, she decides to transfer £200,000 into a Loan Trust, with her two sons being her principal beneficiaries.

All the investment growth on the Bond will be outside her estate for inheritance tax purposes.

Sarah chooses a discretionary trust because she wants to retain flexibility over who will benefit.

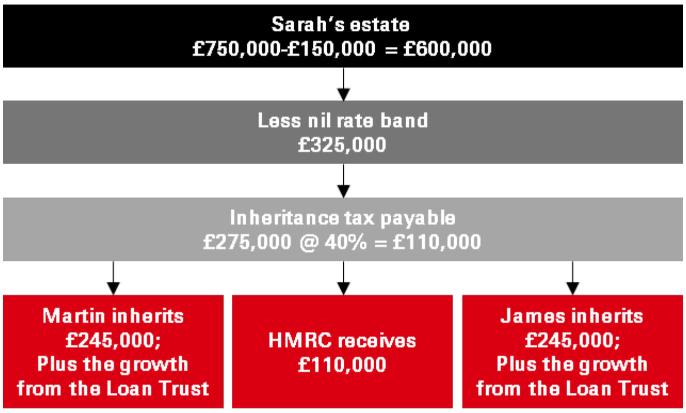
Sarah creates her discretionary Loan Trust by lending her trustees £200,000 which is invested in the HSBC Life Onshore Investment Bond. When completing the trust deed she specifies that she wishes to have her loan repaid at the rate of 5% of the original loan per year. The loan repayments to Sarah will not be subject to inheritance tax exit charges.

The creation of a Loan Trust will have no immediate impact on the value of her estate for inheritance tax purposes or the potential liability to that tax. This is because the outstanding loan remains an asset in her estate until it has been repaid and spent.



The potential of Sarah's Loan Trust in reducing her liability to inheritance tax will be seen as time elapses, as the following example demonstrates.

If Sarah dies 15 years after creating her Loan Trust then, assuming she asked for her loan to be repaid at the rate of 5% per annum (£200,000 x 5% x 15 = £150,000) and provided she has actually spent the loan repayments as they were made, the liability to inheritance tax will have been reduced. For simplicity, the figures have not been changed.



Martin and James may also benefit from any investment growth under the Loan Trust at the trustees discretion. This means that their overall position has (potentially) improved by £30,000 (inheritance tax £170,000 - £110,000/2) each.

Please note that this example is provided for illustration only and should not be used as a guide for any particular course of action. The tax implications will vary according to individual circumstances and you will need to consider your personal tax situation in detail with your adviser before proceeding.

Creating your Loan Trust

In order to create your Loan Trust you need to complete the appropriate trust deed, which incorporates the loan agreement between the settlor and the trustees, either the discretionary or absolute Loan Trust deed. The trustees will direct the settlor to complete the HSBC Life Onshore Investment Bond application form using the loan monies. The settlor will instruct HSBC Life to issue the bond in the names of the trustees of the Loan Trust.

As the settlor, you will automatically be appointed as a trustee.

Whether you are creating your Loan Trust by yourself, as a sole settlor, you must appoint at least one additional trustee to act with you in investing the loan monies and administering the trust for the benefit of your chosen trust beneficiaries. Where you are creating your Loan Trust jointly with your spouse or civil partner as joint settlors, you must appoint an additional trustee.

The lives insured will often be the named beneficiaries of the trust but you and/or your trustees can also be lives insured.
For tax planning flexibility there should be more than one life insured. Please refer to your adviser for guidance on this.

The settlor can make further monetary loans to the Loan Trust in order for it to be placed in the Bond. Please refer to your adviser for guidance on this.

Your adviser will explain the application process and how to complete the documentation.

Receiving your regular repayments

Repayment options

You can choose between monthly, bi-monthly (every other month) quarterly, termly (every four months), half-yearly or yearly options for your regular loan repayments from the Loan Trust which can be commenced immediately or deferred. Once commenced, your regular repayments will continue until your loan has been repaid. You can instruct your trustees to discontinue making these repayments at any time.

You could also release your trustees from their responsibility to repay some or all of the outstanding loan but this will have an impact for inheritance tax purposes which your adviser will be able to explain to you.

You can choose any level of payment up to 10% yearly of your investment amount. Please remember, however, that the value of the Bond will reduce if the amount withdrawn exceeds the rate at which the Bond grows. There may also be income tax implications where repayments exceed 5% each year.

Income tax treatment

You can arrange to receive regular payments of up to 5% of the original investment every year without any immediate income tax charge. Any part of this allowance which is unused can be carried forward; so you can potentially defer any higher or additional rate income tax liability until 100% of your original investment has been withdrawn, or the Bond comes to an end.

Any amount over the 5% yearly allowance may be subject to income tax.

Because we pay corporation tax on any income and capital gains realised on the underlying investments in the Bond, basic rate income tax is treated as already paid on this investment. This means a credit for basic rate income tax at 20% is received and only income tax at higher or additional rate may be payable.

We calculate the underlying corporation tax charge daily and collect a monthly tax deduction from the Bond to account for this. As a result, tax administration is simplified for the trustees and any liability you face will be restricted to higher or additional rate income tax.

The Bond will be issued as a series of separate but identical policies, each of which is treated independently of the others. This segmentation gives the trustees considerable flexibility to undertake strategies which can minimise any income tax liability arising from any gains made.

For more details on the tax treatment please refer to pages 16 and 17 as well as to the HSBC Life Onshore Investment Bond product brochure.

Investing the trust fund

A Loan Trust is a long term arrangement, so it is essential that the widest investment choice is available. With the HSBC Life Onshore Investment Bond you and your co-trustees can access the expertise of investment managers across a range of fund management groups. Your adviser will be able to give you and your co-trustees details of the current fund range.

Building the trust fund portfolio

Initially the investment will be allocated to the cash account in the Bond pending purchase of fund holdings. This cash account, apportioned equally across the policies in the Bond, forms part of the investment portfolio and is used to debit the cost of fund purchases and credit the proceeds from fund sales.

Once the trust fund is invested in the Bond you and your co-trustees can then build a portfolio from a choice of collective investments such as Open Ended Investment Collectives (OEICs) and unit trusts.

Other than the minimum investment levels which apply to each asset held in the portfolio, there are no restrictions on how the investment can be spread.

The cash account can also be used to hold monies awaiting investment or as a cash shelter in times of market volatility.

Trading free from capital gains tax

Subject to the minimum investment levels, you and your co-trustees also have complete flexibility to move monies between funds and, because the investment is held within the Bond, it is possible to trade between funds without incurring any personal charge to capital gains tax.

About your trustees

Choosing your trustees

As previously mentioned, as the person who created the trust (the settlor), you will automatically be a trustee but you must appoint at least one other trustee to act with you. Joint settlors will also need to appoint at least one additional trustee to act with them.

A trustee must be someone you can rely on to act in accordance with your wishes, so you should make your choice with care.

You can appoint anyone to be a trustee provided they are over the age of 18 years and have full mental capacity. For sole settlor trusts, there must be at least two trustees to administer the trust. For joint settlor trusts, there must be at least three trustees to administer the trust. If you wish, you can appoint a beneficiary under the trust as trustee.

You may prefer to appoint a professional trustee, such as your solicitor but please bear in mind professional trustees are permitted to charge for their services. If the only asset within the trust is the Bond and if a withdrawal is made from the Bond to pay the fees of a professional trustee, this will have an impact on the annual 5% a year allowance available. Please refer to the 'What about tax?' Section on pages 16 and 17.

During your lifetime, you will be able to appoint new or additional trustees. In the event of your death or incapacity, this power will pass to the remaining trustees. You will also have the power to remove a trustee provided at least one trustee (other than yourself) remains after the dismissal.

Trustees' roles, responsibilities and accounting

The role of the trustees is to manage the trust assets in accordance with the terms of the trust deed.

Whilst the only asset held in the Loan Trust is the HSBC Life Onshore Investment Bond, the administration of the trust fund will be simplified for the trustees. In particular, they will not need to complete trustee tax returns.

However, the trustees will be required to register the Loan Trust through HMRC's Trust Registration Service within 90 days from when the trust is established. In addition, the register needs to be updated with any changes to the trust, within 90 days of the event.

Trustees' liability for the outstanding loan

Your loan to the trust is repayable on demand. However, as with all investments, the value of the Bond could fall as well as rise and could, at some point, be worth less than the value of the outstanding loan.

A provision in the Loan Trust is designed to ensure that the trustees will not be personally liable for any shortfall unless it arose as a result of any breach of trust or other dishonesty.

About your trust beneficiaries

Choosing your trust beneficiaries

The choice of who are the beneficiaries of your trust rests with you. Anyone, other than the settlor of the trust, can be a beneficiary.

Although you are entitled to demand repayment of your loan, you cannot benefit from the trust in any other way.

Whether or not the beneficiaries are fixed at the outset and how a beneficiary will be treated for tax and other purposes, will depend on whether you have created a discretionary or an absolute trust.

Discretionary beneficiaries

Under a discretionary trust, the beneficiaries are described as a class of individuals such as your children, grandchildren, nieces, nephews, your spouse or surviving spouse (unless you created the trust as joint settlors or deliberately excluded your spouse) and the spouse or surviving spouse of any of your beneficiaries. A full description of your discretionary beneficiaries will be found in the trust deed.

A discretionary beneficiary does not have an automatic right to anything under the trust – they only have the right to be considered by the trustees. The trustees can exclude a beneficiary and you can add to the class of beneficiaries during your lifetime.

You may wish to write a letter of wishes to your trustees explaining how you would like the trust fund to be distributed. Although your trustees will usually take your wishes into account, they cannot be bound by them and, ultimately, the decision about who receives what and when will rest with them.

Absolute beneficiaries

Under an absolute trust, you will name those you wish to benefit and the shares they will take. Once you have made this choice, you cannot change your beneficiaries or their shares of the trust fund.

Your beneficiaries’ entitlement to their share of the trust fund is subject to your outstanding loan.

The trust beneficiary's share of the trust fund will form part of the beneficiary's estate for inheritance tax.

Where an adult beneficiary dies their share of the trust fund (less any outstanding loan) forms part of their inheritance tax estate on death and would pass under their will or on intestacy. Where a minor beneficiary dies their share of the trust fund (less any outstanding loan) would normally pass under the intestacy rules, usually to their parents.

What happens if someone dies?

If someone associated with the trust dies, the trustees should notify us as soon as possible. We need to know if:

- a settlor or a joint settlor dies;
- a trustee dies;
- a life insured dies; or
- the beneficiary of an absolute trust dies.

What happens if a sole or surviving joint settlor dies?

If a sole settlor or surviving joint settlor dies, the trustees must advise us of the death.

If a sole settlor or a surviving joint settlor dies, the outstanding loan (and any loan repayments that have not been spent) will form part of the settlor's estate immediately before death.

Where the box in the trust deed has been signed by the settlor to waive the loan on death then the loan is waived on the sole settlor's or survivng joint settlor's death to the trust. The amount of the outstanding loan will form part of the deceased settlor's estate for inheritance tax purposes.

Where the box in the trust deed has not been signed, the outstanding loan passes under the settlor's will or on intestacy and will also form part of the settlor's estate for inheritance tax.

What happens if a joint settlor dies?

If a joint settlor dies, the trustees must advise us of the death.

If a joint settlor dies, that joint settlor's share of the loan will form part of their estate for inheritance tax immediately before death. That share will automatically pass to the surviving joint settlor and assuming that the joint settlor was a spouse or civil partner then that would be an inheritance tax exempt transfer. The surviving joint settlor would be dealt with as a surviving joint settlor as set out above.

The surviving joint settlor may need to appoint an additional trustee to ensure the Loan Trust has two trustees.

What happens if a trustee dies?

If a trustee dies including the settlor, the remaining trustees must notify HSBC Life of this and provide evidence in the form of a copy of the Death Certificate.

If, following the death of a trustee, only one trustee remains, the settlor or the surviving trustee should appoint a new trustee to act with the.

What happens if a life insured dies?

If one of the lives insured dies but is survived by other lives insured, there will be no effect on the arrangement and the Bond will continue.

If the last surviving life insured dies during your lifetime, the trustees must claim the Bond proceeds and reinvest this. This is to maintain the regular repayments to you if the loan has not been repaid in full.

If the last surviving life insured dies after your death, the trustees must claim the proceeds. If the loan has been repaid in full, the trustees will need to decide whether they distribute or retain the trust fund. If any part of the loan remains outstanding at death or you did not sign the box in the trust deed to waive the loan at death, then the trustees will need to repay the outstanding loan to the settlor's personal representatives.

What happens if a beneficiary dies?

If a beneficiary of an absolute trust dies, the value of the trust fund, less the value of the outstanding loan, will be included in the beneficiary's estate for inheritance tax purposes. The trustees of the trust could be liable to pay inheritance tax as a result of the beneficiary's death.

If a beneficiary of a discretionary trust dies, there will be no inheritance tax implications.

What about tax?

Inheritance tax

There are a number of occasions when a liability to inheritance tax may arise and these are summarised below:

- When the Loan Trust is created

As the interest free repayable on demand loan is not a gift for inheritance tax purposes there can be no inheritance tax charge on creating the absolute or discretionary Loan Trust. However, the value of the outstanding loan (and any loan repayments that have been received but not spent) will remain in the settlor's estate for inheritance tax.

- Discretionary Trust: ten-year anniversary charge

This charge can arise every ten years from the creation of a discretionary Loan Trust. The maximum charge is 6% based on the value of the bond, less the value of the outstanding loan that exceeds the nil rate band available to the trust. This charge is payable by the trustees from the trust fund. However, no charge will arise where no chargeable transfers were made by the settlor in the seven years prior to the creation of the trust and the value of the trust fund (the Bond) is less than the nil rate band at this time.

- Discretionary Trust: exit charge

This charge can arise where capital is paid to a trust beneficiary of a discretionary Loan Trust. An exit charge is usually based on the previous ten-year anniversary charge. Loan repayments to the settlor will not be subject to exit charges.

Income tax

The Loan Trust has been designed for use with the HSBC Life Onshore Investment Bond. As a series of life insurance policies, gains arising under a Bond are taxable to income tax under the chargeable event regime. Under that regime, a liability to income tax can only arise if a chargeable event occurs, there is a chargeable event gain and there is a chargeable person to whom the gain can be attributed.

A chargeable event will arise on the death of the last life insured under the policy, assignment or part assignment of the policy for money or money's worth, maturity of the policy, surrender in full of the policy, or when certain part surrenders are made under the policy. Your adviser will be able to explain how any liability is arrived at.

The following table illustrates the tax implication for the three most common events:

Income tax implication	**Event**		
	Withdrawals within 5% a year allowance	**Withdrawals greater than 5% a year allowance**	**Full surrender**
Is there a chargeable event?	No	Yes	Yes
Is there a chargeable event gain?	No	Yes, on excess above 5%	Yes, on any gain realised

Who is liable for the tax?

With an absolute trust, any gain is assessed on the beneficiary, regardless of age. The only exception is where the beneficiary is the minor (unmarried) child of the parent who created the trust, in which case any gain in excess of £100 will be assessed on the parent. The exception does not apply where a grandparent sets up a trust for grandchildren.

For discretionary trusts, the person who is liable for the tax will depend upon the circumstances at the time, as illustrated in the following table:

Discretionary Loan Trust	Who is liable for the tax?
	The settlor of the trust, if alive and UK resident, failing whom.
	UK resident trustees, failing whom.
	a UK resident beneficiary when receiving a benefit from the trust.

The rate of tax payable

The rate of tax payable will depend on whom the liability falls. As the settlor of the trust, you will be taxed at your highest marginal rate. You will receive a credit for basic rate tax in consideration of the tax paid within the Bond.

Where UK resident trustees are liable, the rate of tax is 45% and they also receive a credit for basic rate tax of 20%.

Where a beneficiary is liable, the tax paid will depend on their personal income tax position.

Capital gains tax

No liability to capital gains tax will arise when fund switches are made within the Bond. Capital gains tax does not generally apply to investment bonds.

Accessibility

To find out more about our accessible services or if you would like this in another format such as large print, Braille, Text relay or audio, please write to us at HSBC Life (UK) Limited, Administration Office, PO Box 1053, St Albans, AL1 9QG, or call us on 0345 603 9164.

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