CHARTERED ACCOUNTANTS,
TAX & BUSINESS ADVISERS

Lamont Pridmore

TRUST INCOME TAX AND CAPITAL GAINS TAX

The purpose of this schedule and the Standard Terms of Business is to set out the basis on which we are to act as accountants and advisors with regard to the trust's tax affairs and to clarify our respective responsibilities in respect of that work.

1 Your responsibilities

1.1 You are legally responsible for:

a) ensuring that the trust's self assessment tax returns and CGT on UK residential property or UK land return, as appropriate are correct and complete;

b) filing all such returns by the relevant due date;

c) making payment of tax on time; and

d) ensuring that the trust is recorded on HMRC's Trust Registration Service.

Failure to meet the deadlines may result in automatic penalties, surcharges and/or interest.

Legal responsibility for returns cannot be delegated to others. You agree to check the tax returns we have prepared for the trust are accurate and complete in all respects before you approve them.

You are no less responsible for errors in unapproved returns, submitted on the basis of information provided to and processed by us, than if you had confirmed your approval of the returns.

1.2 You authorise us to file the trust's self-assessment tax returns online.

1.3 To enable us to carry out our work you agree:

(a) that all trust tax returns are to be made on the basis of full disclosure of all sources of income, profits and gains, all charges and allowances and all capital transactions;

(b) to maintain accurate and complete accounting and other records of all income, expenses and outgoings, and of the results of all transactions of a capital nature;

(c) to provide full information and documents necessary for preparing the trust's financial statements and dealing with the trust's tax affairs: we will rely on the information and documents being true, correct and complete and will not audit the information or those documents;

(d) to advise us of distributions, advances or appointments made out of, or in respect of, trust funds, in each case within 30 days of such an event;

(e) to inform us in advance of any planned UK residential property sales by the trust, and provide us with the information we require such as associated costs and valuations, prior to disposal, to ensure that any capital gains tax liability can be calculated and reported to HMRC within 60 days of completion of the disposal. Where you consider that you will be non-UK resident in the tax year of disposal, full details of all UK property disposals, including disposals of shares in property rich companies, must be advised prior to exchange of contracts on any property disposal.

It is your responsibility to pay any capital gains tax due to HMRC by the trust by this 60 day deadline;

(f) to keep us informed of any specific conditions that have been imposed on the trust by HMRC – for example: to provide more detailed accounts or to have a qualified accountant prepare the trust's tax returns and/or certify that they are accurate;

(g) to authorise us to approach such third parties as may be appropriate for information that we consider necessary to deal with the trust's tax affairs; and

(h) to provide us with information in sufficient time for the trust's tax return to be completed and submitted by the due date following the end of the tax year. In order that we can do this, we need to receive all relevant information by the date specified. Where feasible we may agree to complete the trust's tax return within a shorter period, but may charge an additional fee for so doing; and

(i) to take such steps and provide such information to us and to HMRC as may be necessary for the trust to register with HMRC under the Trusts Registration Service.

1.4 You will keep us fully and promptly informed of events or material changes in circumstances that could affect the trust's tax liability. If you are unsure whether an event or change is material please let us know so that we can assess the significance.

1.5 HMRC will send you an agent authorisation code which expires within 30 days of issue. Please send this to us as soon as you receive it. This code will enable us to register as your agent with HMRC, and authorises HMRC to communicate with us as your agent, although they consider that you must still take 'reasonable care' over your tax affairs.

1.6 You will forward to us HMRC' statements of account, copies of notices of assessment, letters and other communications received from HMRC in time to enable us to deal with them as may be necessary within the statutory time limits. Although HMRC may have the authority to communicate with us, if relevant through form 64-8, it is essential that you let us have copies of any correspondence received because HMRC are not obliged to send us copies of all communications issued to you.

1.7 You will be responsible for registering the trust with HMRC under the Trust Registration Service (if it is not already registered), and for maintaining the Trust Register information. For the purposes of the completion of the self-assessment return, you undertake to provide us with confirmation each year that either the registration has been completed or is not required.

1.8 If you carry on a business as trustees and make supplies for VAT purposes, you are responsible for monitoring your monthly turnover to establish whether you are liable to register for VAT. If your turnover exceeds the UK VAT registration threshold and you wish us to assist you in notifying HMRC of your liability to be VAT registered, we will be pleased to assist you in the VAT registration process. You should notify us of your instructions to assist in your VAT registration in good time to enable a VAT registration form to be submitted within the time limit of one month following the month in which your turnover exceeds the VAT registration threshold in force at that time. We will not be responsible if you fail to notify us in time and, as a result, incur a late registration penalty.

1.9 In certain circumstances there can be obligations to register for VAT, or similar turnover taxes, in non-UK countries including the Member States of the European Union. While we may, in some circumstances, be able to assist with questions relating to the VAT systems of non-UK countries and would encourage you to ask us for assistance, all advice in relation to non-UK tax systems should be confirmed with an appropriate specialist in that country's rules. We will not be responsible for any failure to comply with the tax rules of a non-UK country.

1.10 Where you are importing relevant goods into the EU to be supplied to non-taxable persons (with the final destination of the goods being within the EU), then the EU's Import One Stop Shop (IOSS) can be used by both EU and non-EU established suppliers in preference to standard import procedures.

1.11 If you are making distance supplies of goods within the EU, e.g. from France into Germany (B2C), you may, depending on circumstances, be able to use either the Union or non-Union OSS scheme in preference to registering for VAT in the member state of delivery.

The non-Union OSS can be used for any services where the place of the supply of the service is in the EU and the supplier is non-EU established (B2C).

1.12 There may be other circumstances where the Union or non-Union OSS can be used, such as domestic supplies of goods by deemed suppliers. In general terms, however, if you do not fall

within the criteria for OSS registration then you may need to VAT-register in the Member State in which you make the supply of the goods or services.

1.13 You are also responsible for employment taxes, pensions (including auto-enrolment) and assessment of the employment status of your workers. If your business is not small, then you are also responsible for assessing the employment status of any contractors providing personal services to your business via intermediaries under the off-payroll working (IR35) rules, as well as being responsible for employment taxes if they are deemed employees. If you do not understand what you need to consider or what action you need to take, please ask us. We will not be in a position to assist you in complying with your responsibilities if we are not engaged to provide such a service. We are not responsible for any penalty that is incurred.

1.14 You are reminded that, under the Trustee Act 2000, it is your responsibility to regularly review the trust investments and to have a clear and appropriate investment policy.

Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards

1.15 As a result of the USA Foreign Account Tax Compliance Act (FATCA),the International Tax Compliance (United States of America) Regulations 2013 (the Regulations) require the trust to determine whether it is a Financial Institution (FI) or a Non-Financial Foreign Entity (NFFE) and, if the latter, whether it is passive or active. If it is a Financial Institution, it must register with the US Internal Revenue Service (IRS) and file annual returns with HMRC. Over the next few years similar arrangements will come into force with more than 70 other countries. This is or will be based on a single agreement called Common Reporting Standards.

1.16 If required, you will be responsible for compliance with these Regulations and any obligations arising from Common Reporting Standards, both in terms of the initial categorisation and, if necessary, the subsequent registration of the trust with the IRS (or other applicable authority) and the filing of annual returns with HMRC.

1.17 If required, you have agreed to provide sufficient information to enable the annual return to HMRC to be accurately completed. However, you must provide us with all the information that we may require from time to time to enable us to advise you properly, and the provision of adequate systems shall always remain your ultimate responsibility.

2 Our responsibilities as accountants

2.1 Unless you request otherwise, we will prepare the financial statements of the trust from the accounting records and other information and explanations provided by you, or by others on your behalf, and will obtain your approval of the financial statements. We will advise you as to the adequacy of the trust's records for this purpose.

2.2 Based on the accounts or information and explanations provided by you, we will prepare the self assessment tax returns for the trust which are required to be filed with HMRC, together with such supplementary schedules as are required. For the avoidance of doubt:

- this does not extend to inheritance tax returns that may be required either when the trustees make a distribution from the trust or on each ten-year anniversary from commencement. If required, this will be the subject of a separate engagement letter (see para. 2.11).
- this obligation does not extend to any VAT returns, Inheritance tax returns, or tax returns which may be required to be made in any country or jurisdiction outside the United Kingdom.

2.3 Once we have obtained your approval and signature, we will submit the relevant return to HMRC. You authorise us to file the return electronically.

2.4 We will either calculate or check HMRC' calculation of the trust's income tax and any capital gains tax liabilities and advise you how much tax the trust should pay and when. We will advise on the interest and penalty implications if tax is paid late. If appropriate we will initiate repayment claims when tax has been overpaid.

2.5 Based on information you provide to us, we will calculate the trust's capital gains tax liability on the disposal of any qualifying residential property, and will report this to HMRC, as well as informing you how much the trust should pay and by when.

2.6 There is an in-year capital gains tax (CGT) reporting and payment requirement for disposals of UK residential property (and, if the trust is non-UK resident, UK non-residential property and investments in property-rich entities). We will prepare the in-year return for each disposal, calculate the CGT due and submit the return to HMRC.

2.7 We will advise as to possible claims and elections arising from the trust's tax return and from information supplied by you. Where instructed by you, we will make such claims and elections in the form and manner required by HMRC.

2.8 We will deal with all communications relating to the trust's tax return addressed to us by HMRC or passed to us by you. However, if HMRC choose the return for enquiry this work may need to be the subject of a separate assignment in which case we will seek further instructions from you.

2.9 If, under the terms of the trust, income payments are made to the trust's beneficiaries, we will assist you in preparing form R185 (statement of income from trust).

2.10 If required, we will be responsible for registering the trust with HMRC under the Trust Registration Service (if it is not already registered), and for maintaining the Trust Register information. You will provide us with all necessary information at least 30 days before the registration or update deadline (or contact us immediately should a change occur which would need to be reported within that 30 day period before the deadline.)

2.11 We are able to offer fee protection insurance to cover the cost of our fees arising from HMRC investigations. If you would like further details of this service please let us know.

2.12 The scope of our services provided to you will be only as set out above and all other services which we may offer are excluded. If you instruct us to do so, we will also provide such other taxation ad hoc advisory services as may be agreed from time to time. These may be the subject of a separate engagement letter. We will discuss and agree our fee for such work when it is commissioned by you. Examples of ad hoc work would include:

- advising on ad hoc transactions, for example the sale of assets held by the trust or the advancement or appointment of trust cash or other assets to or for the benefit of trust beneficiaries;
- any inheritance tax returns required to be made; and
- dealing with any enquiries opened into the trust's tax returns by HMRC.

2.13 Since 2013 a General Anti-Abuse Rule has been in operation in the UK. This rule enables HMRC to further tackle abusive tax planning schemes. Due to the low probability of eventual success of such schemes and the high ethical standards of this firm, it is our policy not to advise on tax schemes that we consider to be artificial or aggressive in nature. Please let us know if you would like to discuss this matter further or if you feel that you are disadvantaged in any way by the firm's policy on tax avoidance.

2.14 Where specialist advice is required on occasions we may need to seek this from or refer you to appropriate specialists.

Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards

2.15 If required, we will assist with the categorisation of the trust into either an FI or an NFFE (passive or active). If the trust is determined to be a Financial Institution, we will assist where required to ensure that the trust has adequate systems to identify foreign citizens (whether US citizens or those of other countries who have signed up for the Common Reporting Standards), who are or who may become beneficiaries to whom payments may be made. We can also assist you with the initial online registration with the IRS.