

The Isle of Man Probate Trust

Introduction

The Isle of Man Probate Trust is designed for those individuals who wish to avoid the need for Isle of Man Probate upon their death.

The Settlor is the sole beneficiary and can demand transfer of the policy from the Trustees at any time.

On the Settlor's death, the value of the policy is included in his or her estate for UK Inheritance Tax purposes.

For further information regarding the Isle of Man Probate Trust, please refer to our *Guide to Trusts*.

Case study

Luke is domiciled and resident in the UK. He invested £200,000 into one of our offshore policies written on the joint lives of himself and his wife, Amy.

He realises that upon his death, Isle of Man Probate would have to be paid before the policy could be transferred to his executors (and subsequently assigned to another individual in accordance with the terms of his will).

His executors or appointed solicitors, would have to undertake the administrative work associated with the Probate application, which can be time consuming. In addition, even if the paperwork is submitted correctly, the process can take around 4-6 weeks before Probate is granted.

Having discussed the matter with his IFA, Luke decides to transfer his policy to an Isle of Man Probate Trust. Luke will be the sole beneficiary and, if required can instruct the Trustees to transfer ownership of the policy back to him.

His adviser explains that Luke's wife and his executor could be also be additional trustees.

The reason for this is if there are no surviving trustees upon Luke's death, then Probate will be required before replacement trustees can be appointed.

From time to time Luke asks his Trustees to make partial encashments from the policy and pay these direct into his personal bank account.

These part-surrenders are calculated to fall within the available 5% tax deferred "allowance" and no immediate income tax liability.

Luke dies 15 years after establishing the trust. Amy survives him. As the policy was written on a joint life basis, it does not come to an end on Luke's death. As it is held by Trustees (in an Isle of Man Probate Trust) the policy is not an asset of Luke's estate for Isle of Man Probate purposes.

Under the terms of his will, Luke has left the policy specifically to Amy and the Trustees assign it to Amy in accordance with his wishes. Although the value of the policy at the time of Luke's death is in his estate for UK Inheritance Tax purposes, the spouse exemption applies and no Inheritance Tax is payable on his death.

Probate fees

| Gross Estate Value | Fee Payable |
|---------------------------------|-------------|
| Does not exceed £10,000 | £31.50 |
| Exceeds £10,000 but not £50,000 | £188.50 |
| Exceeds £50,000 | £295.50* |

* This amount represents the fees payable (as per the Court Services Fees Order 2024) for Probate and Administration in the Isle of Man where the only asset is an Isle of Man insurance policy, whose value exceeds £50,000.

Important notes

For financial advisers only. Not to be distributed to, nor relied on by, retail clients.

The information contained within this document is based on our understanding of Isle of Man legislation, law and practice as at April 2024. Whilst every care has been taken, we cannot accept responsibility for its interpretation or any subsequent changes.