



**THE BUSINESS TRUST FOR  
PARTNERS AND SHAREHOLDERS  
FOR AN EXISTING POLICY  
BT (EP)**

The assignment of existing policies into trust, as part of a commercial arrangement between co-shareholders or partners, may be regarded as reciprocal transactions, with each individual writing their policy in trust for the others. These reciprocal transactions are likely to be viewed as a form of consideration, and as such the cross-assignment could be deemed to be for money's worth. At claim stage, the Trustees would be liable to capital gains tax on the gain under the policy.

This form is suitable for use with Friends Life's range of life assurance products. It is not suitable for contracts which include a pension benefit.

An additional trustee should be appointed at outset.

You can include yourself as a potential beneficiary by ticking the box in section (c) of Part E of the trust Schedule. Your inclusion as a potential beneficiary of this trust would enable the policy to be assigned to you in the future, if you leave the business. However, before you decide to be included, you should be aware that, as a consequence, the trust arrangement would fall under the pre-owned assets tax (POAT) regime.

Under that regime a percentage of the policy value (currently 5%) would be treated as your income each year for tax purposes. Term assurance and critical illness benefit have no significant value while you remain in good health and would not therefore trigger an income tax charge. But should you be in poor health on any 6<sup>th</sup> April, the policy might have a much higher taxable value for the ensuing tax year and an income tax charge might result.

If you are in any doubt as to the suitability of this form we recommend that you obtain independent professional advice.

Friends Life categorises each trustee of an investment contract as a 'retail client'. This gives you the highest level of protection available under the Financial Services Authority's (FSA) Conduct of Business Rules. If you would otherwise be categorised under FSA Rules as a 'professional client' or an 'eligible counterparty' then you may not have access to the Financial Services Compensation Scheme or Financial Ombudsman Service. Please contact your financial adviser if you require further details.

This trust form should be completed with the details that appear on your policy document. Please ensure you provide all the information requested in the Schedule (policy number etc.). When completed please send this trust form to:

**Friends Life, PO Box 1550, Milford, SALISBURY, Wilts SP1 2TW**

# THE BUSINESS TRUST FOR EXISTING LIFE POLICY BT(EP)

## Explanatory Notes

It is important to read these notes before completing this Trust Form

### The advantages of writing life assurance in trust

Trust form BT(EP) enables the proceeds of the policy(ies) in the trust to be paid to the remaining partners or shareholders in the business so that they can purchase your business share. Details of who may benefit are set out in Section E of the Trust Schedule.

The policy proceeds should not be included in your estate for the purposes of inheritance tax (IHT). Premiums should be exempt from inheritance tax and from the gift with reservation provisions if the setting up of the policy and trust are part of a fully commercial arrangement between the partners or shareholders (but see opposite).

### When will this trust form be used?

It is important to note that members of your family who are not partners or shareholders in the business cannot be included as potential beneficiaries if the trust is to form part of a commercial arrangement between partners or shareholders.

Although you can include yourself as a potential beneficiary by ticking the box in Part E, section (c), you should be aware that, as a consequence, the arrangement would fall under the POAT regime

The trust form can be used anywhere in the United Kingdom. It is not suitable for contracts which include a pension benefit.

### Who are the Trustees?

You are automatically appointed as the first trustee. You should (and in Scotland must) appoint one or more additional trustees.

The other partner(s)/shareholder(s) in the arrangement would normally be the other trustee(s) unless there are so many as to make the arrangement unwieldy. In these cases, the Company Secretary or legal adviser of the business may be an appropriate choice of trustee.

Provided there is at least one surviving trustee, then in the event of a death claim against the policy, we can pay the trustees as soon as proof is received. If no additional trustees are appointed, payment cannot be made until probate, letters of administration or confirmation have been granted and new trustees have been appointed.

### Warning:

Law and HM Revenue & Customs practice may change at any time. These notes are based on our understanding of both as at December 2011. Friends Life cannot take responsibility for or guarantee the legal effectiveness of any amendments.

### What are the Inheritance Tax (IHT) consequences of using this Trust Form?

- (a) **On transfer of the policy into trust and on payment of premiums**  
Provided HM Revenue & Customs accept that this trust is declared as part of a commercial arrangement, the transfer into the trust and the premiums paid will not be regarded as gifts for IHT purposes†.
- (b) **On your death**  
Again, provided HM Revenue & Customs accept that this trust is declared as part of a commercial arrangement, the trust fund will not form part of your estate for IHT purposes†.
- (c) **On a change in the composition of the partnership or company**  
There are no IHT consequences if a partner or co-shareholder leaves the business, or when a new member joins.  
This also applies where the share(s) of an existing partner or shareholder is increased or decreased.
- (d) **Ongoing tax charges**  
It is possible that there may be a tax charge on each tenth anniversary of the trust, and when a payment is made from the trust. However, there is unlikely to be a tax charge when a protection policy is the only asset of the trust\*.

†If the arrangement is not commercial, appropriate advice should be sought.

\*Term assurances normally have little value unless the life assured is in poor health at the date of the transfer.

### Select Protection Plans

A Select Protection Plan can potentially consist of several different policies, some of which cannot be placed in trust e.g. income protection. Each separate policy should be placed in its own trust (if required) according to the benefits it provides.

### Alterations

If you make a mistake when completing this form, please cross through the error, insert the correction and sign against it. The Additional Trustees do not need to sign the alterations. Please do not use correction fluid.

# Declaration of Trust – Business Trust BT (EP)

## 1. Definitions and Interpretation

1.1 In this trust form (except where the context otherwise requires) the following words shall have the following meanings:-

“Additional Trustees” means the person or persons specified in Part C of the Schedule;

“the Settlor” means the person specified in Part A of the Schedule;

“the Initial Beneficiaries” has the meaning given in part D of the Schedule;

“the Policy” means the policy specified in Part B of the Schedule;

“the Potential Beneficiaries” has the meaning given in part E of the Schedule;

“the Relevant Date” shall mean the earlier of the date of death of the Settlor or the date on which liability is admitted in respect of any claim in respect of any illness or disability covered by the policy(ies) proposed or by any subsequent policy including illness or disability benefits which is subject to the provisions of this trust;

“the Schedule” means the Schedule hereto;

“the Trustees” means the Settlor and the Additional Trustees or such person or persons who may hereafter be appointed as a trustee or trustees hereunder;

“the Trust Fund” means the Policy, all monies to become payable thereunder (including bonuses) and monies received on the sale or surrender thereof, all property at any time added thereto by way of further settlement, accumulation of income, capital accretion or otherwise and all property from time to time representing the foregoing respectively;

“the Trust Period” means the period commencing on the date hereof and ending on the second anniversary of the death of the Settlor (which period shall be the perpetuity period for the purposes of this trust).

1.2 The Schedule forms part of this Trust Form.

1.3 The clause headings are included for convenience only and shall not affect the interpretation of this Trust Form.

1.4 In this Trust Form (except where the context otherwise requires):-

1.4.1. Use of the singular includes the plural and vice versa.

1.4.2. Use of any gender includes the other genders.

1.4.3. Any reference to an English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall, in respect of any jurisdiction other than England, be deemed to include a reference to what most nearly approximates in that jurisdiction to the English legal term.

## 2. Declaration of Trust

The Settlor HEREBY ASSIGNS to the Trustee the Policy and HEREBY DECLARES that the Trust Fund shall be held upon the trusts with and subject to the powers and provisions hereinafter declared and contained.

## 3. Discretionary Power of Appointment

3.1 The Trustees shall hold the income and capital of the Trust Fund upon trust for or for the benefit of such one or more of the Potential Beneficiaries at such ages and in such shares, upon such trusts and in such manner at any time or times before the expiry of the Trust Period by any deed or deeds revocable or irrevocable as the Trustees (being at least two in number) shall in their absolute discretion appoint.

3.2 The Trustees may at any time or times by deed or deeds extinguish (or restrict the future exercise of) the discretionary power of appointment in this Clause.

3.3 No power or discretion by this trust form or by law conferred on the Trustees or any of them or any other person shall (notwithstanding anything to the contrary herein expressed or implied) be exercised so as to cause or permit any part of the capital or income of the Trust Fund to become in any way payable to or applicable for the benefit of the Settlor unless the Settlor is included as a potential beneficiary under Part E, section (c) of the Schedule.

## 4. Trusts in Default of Appointment

Until and subject to and in default of any appointment under Clause 3, the Trustees shall hold the capital and income of the Trust Fund in trust for the Initial Beneficiaries in the same proportions as the share in the profits of such partnership to which each such person is entitled (or the number of ordinary shares in such company held by such persons) then bears to the aggregate share in such profits to which all such persons are entitled (or the aggregate number of such ordinary shares held by all such persons).

**5. Payment of income**

Subject to the terms of any appointment under Clause 3, all **income** of the Trust Fund shall be paid to or applied for the benefit of the person(s) entitled, whether by appointment or in default of appointment at the time the income arises and in the shares in which they are so entitled.

**6. Law**

This Trust shall be subject to, and shall be construed in accordance with, the Law as indicated in section F of the schedule.

**7. Irrevocability**

This Declaration of Trust shall be irrevocable.

**POWERS**

**8. Powers of investment**

The Trustees may apply any money to be invested in the purchase or acquisition (either alone or jointly with others) of such property, of whatever nature and wherever situate and whether of a wasting nature, involving liabilities or producing income or not, or in making such loans with or without security, as they think fit so that they shall have the same powers to apply money to be invested as if they were an absolute beneficial owner provided that any option, right of surrender or other right under any policy of assurance forming part of the Trust Fund must be exercised by all the Trustees acting together.

**9. Power to borrow**

The Trustees may borrow and raise money on the security of the whole or any part of the Trust Fund and to use such money to pay the premiums on any policy of assurance or for acquiring investments to be held as part of the Trust Fund or for any other purpose for which the Trust Fund may be used.

**10. Power to appoint new trustees**

10.1 The power of appointing new trustees shall be vested in the Trustees jointly.

10.2 The Settlor hereby appoints the Additional Trustees to be trustees to act with the Settlor in the trusts of this trust form, which office the Additional Trustees acknowledge has been accepted on execution of this trust form.

**11. Receipts**

The receipt of the Trustees shall be a good and sufficient discharge to any person for all monies payable by such person under any policy forming part of the Trust Fund.

**12. Power to Charge**

12.1 A trustee (other than the Settlor) being a person engaged in any profession or business shall be entitled to charge and be paid all usual professional and other charges for business done, services rendered or time spent by such trustee personally or by such trustee's firm in the administration of these trusts including acts which a trustee not being in any profession or business could have done personally.

12.2 A trustee (other than the Settlor) shall be entitled to retain any commission which may be received personally or by such trustee's firm in respect of any transaction carried out in relation to the Trust Fund for which such trustee or trustee's firm is, in the normal course of business, allowed commission, notwithstanding that the receipt of such commission was procured by an exercise by such trustee or the Trustees of powers over the Trust Fund.

12.3 If any corporate body shall act as a trustee hereof it shall be entitled to charge in accordance with its published terms for trust business in force from time to time and in the absence of published terms in accordance with such terms as may from time to time be agreed between the Trustee and the Settlor.

**13. Power of Appropriation**

The Trustees may appropriate any part of the Trust Fund in or towards satisfaction of the interest of any beneficiary and may for such purpose place such value on any property as they think fit.

**14. Power to Vary Administrative Provisions**

The Trustees may by deed amend or add to the administrative provisions of this trust.

## Schedule - Business Trust BT (EP)

In part A insert name(s) and address(s) of Settlor.	<b>A</b>	Settlor: _____ Address: _____ _____
In Part B insert the type of policy which you are putting into trust and the Policy Number(s).	<b>B</b>	Type of Policy: _____ Policy Numbers*: _____ * Please insert the policy number and NOT the plan number. For Select protection Plan, this can be found at the top of the policy schedule.
In Part C insert the full names of the persons who are to be Additional Trustees.  <b>At least one additional trustee must be appointed, if this is not done the trust may not be valid.</b>	<b>C</b>	Additional Trustees: (1) Full Name: _____ Address: _____ (2) Full Name: _____ Address: _____ (3) Full Name: _____ Address: _____
Please complete either (a) or (b) in this section with the name of the firm or company.	<b>D</b>	The "Initial Beneficiaries" shall mean: (a) such persons (other than the Settlor) as shall immediately before the Relevant Date be carrying on business in the firm of (Name of Firm) _____ or that firm's successors in business (b) such persons (other than the Settlor) as shall immediately before the Relevant Date hold ordinary shares in (Name of Company) _____ or that company's successors in business
These are the classes of persons whom the Trustees may appoint at a later date to receive benefit. You may add yourself as a potential beneficiary by ticking the box in section (c). However, such action would result in the trust arrangement falling under the pre-owned assets tax (POAT) regime.	<b>E</b>	The "Potential Beneficiaries" shall mean any one or more of: (a) any person who is at any time in partnership with the Settlor; (b) any person who is at any time a co-shareholder in any private limited company with the Settlor (c) the Settlor but only if this box is ticked <input type="checkbox"/> (Please tick this box if you wish to add yourself (the Settlor) to the class of potential beneficiaries.)
Please indicate which law is required by ticking the relevant box.	<b>F</b>	Law <input type="checkbox"/> English <input type="checkbox"/> Scottish

IN WITNESS WHEREOF these presents consisting of this and the two preceding pages are executed by the Settlor and the Additional Trustees in acceptance of their appointment on the date shown in Part G and if executed in Scotland before the witnesses hereto subscribing.

The trust form should then be signed by you and the Additional Trustees.  <b>If the trust is declared in Scotland, each should sign in the presence of an independent witness whose signature and details should be included where indicated.</b>  * If the trust is declared in England, Wales or Northern Ireland, witnesses are not required	<b>G</b>	DATE: _____ SIGNED: Signature of Settlor: _____ _____ *Witness: Signature _____ Full Name: _____ Address: _____ SIGNED: Signature of First Additional Trustee: _____ *Witness: Signature _____ Full Name: _____ Address: _____ SIGNED: Signature of Second Additional Trustee: _____ *Witness: Signature _____ Full Name: _____ Address: _____ SIGNED: Signature of Third Additional Trustee: _____ *Witness: Signature _____ Full Name: _____ Address: _____
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