

Your Nil Rate Band Discretionary Trust

What it does, what it may cost, and what your trustees may need to do

In plain English: your Will directs assets into a trust when you die. The trustees then decide which permitted beneficiaries benefit, when and how. The trust uses the ordinary Nil Rate Band available on your death; it does not create an extra allowance.		
STARTS ON DEATH The trust is written into your Will and normally begins as part of your estate administration.	CURRENT NRB The ordinary Nil Rate Band is currently £325,000. Earlier gifts or transfers can reduce what remains.	TRUSTEE CHOICE No beneficiary has an automatic fixed entitlement unless the trustees create one.

Possible tax charges

When it begins	The familiar 20% lifetime trust entry charge does not normally apply merely because this Will trust begins. Inheritance Tax is calculated as part of the deceased's estate, with a usual 40% death rate above the available exemptions and allowances.
Every 10 years	An Inheritance Tax periodic charge of up to 6% may apply. It is not an automatic 6% charge on the whole trust and may be lower or nil.
When assets leave	An exit charge can sometimes apply when capital leaves the trust. The rate depends on the trust's value, timing and tax history.
Income	Most trusts currently have a tax-free income amount of up to £500, although it can be reduced or shared and the full income becomes taxable if the applicable amount is exceeded. For 2026/27, trustee rates are generally 45% for most income and 39.35% for dividends. A capital payment is not automatically income.
Capital gains	For 2026/27, most trusts have a £1,500 annual exempt amount and trustees generally pay Capital Gains Tax at 24% on taxable gains above it. Relief may sometimes be available.

Registration, records and professional costs

- A Will trust is generally excluded from Trust Registration Service registration for the first two years after death, unless it becomes taxable earlier. If it continues, registration will usually need to be considered.
- Trustees may need records, valuations, decision notes, tax returns and professional advice. Quiet years may cost little or nothing; costs usually arise when something happens.
- Trustees should seek advice when the trust begins, before a sale or significant distribution, and before each ten-year anniversary.

Important reading: [How much does a Will trust cost to set up and run?](#)

Fern Wills & LPAs drafts Will trusts and agreed property-ownership documents. We do not act as trustee, register trusts with HMRC, calculate a client's final tax liability or provide ongoing trust administration. We can identify when specialist advice may be needed and signpost an appropriate professional.

This handout is general information for England and Wales, not an individual tax calculation or a quote. Tax rules, allowances and rates can change. The Residence Nil Rate Band is a separate allowance and is not secured by the name of this trust.