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HAS YOUR TRUST PROVIDER ADOPTED NEW HMRC METHODOLOGY? ASKS FIDELITY FUNDSNETWORK

- From 1st September HM Revenue and Customs will reduce the amount of 'discount' on Discounted Gift Trusts
- Advisers urged to ensure DGT discount figures in line with HMRC guidance

London, 16 August 2007: Fidelity FundsNetwork is urging advisers to check that their trust provider has adopted the new HMRC Methodology for Discounted Gift Trust ('DGT') rates, due to take effect from 1st September 2007.

The changes mean an increase in the valuation rate of interest to be used in connection with valuing retained rights under Discounted Gift schemes ("the discount") from 6.00% to 6.75%. The effect of the increase in the interest rate will be to reduce the amount of 'discount'. The precise effect will mean that discounts will be reduced by around 3%-8%, depending on the age, sex and health of the client.

Some trust providers such as FundsNetwork have already adopted the HMRC methodology and will also adopt the revised HMRC basis from 1st September. In today's environment it is crucial that advisers use discount figures that are in line with HMRC guidance.

Paul Kennedy, Business Development Director for Trusts and Tax Planning Solutions at Fidelity FundsNetwork said: "We welcome the current HMRC stance, as it provides guidance to all providers and should start to remove any major differences in discount levels. FundsNetwork adopted the HMRC methodology from the day that it was introduced, and we will also be adopting the revised HMRC basis from 1st September for our two Discounted Gift Trusts.

"Whatever method of calculation is used, discount figures need to be broadly similar to those used by HMRC. If they are not then this could create massive problems for clients and their families in the event of death or even during life. Knowing that you are using discount figures in line with HMRC guidance is crucial in today's trust environment. We

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urge advisers not to search around for the highest discounts but to ensure that any figures illustrated are in line the HMRC guidance.”

In May 2007, HMRC published a technical note issuing guidance for providers of Discounted Gift Schemes concerning the calculation of ‘discount’ figures, and for joint cases a methodology for the division of the discount between the settlors.

It was stated at that time that the valuation basis used by HMRC would be kept under review and that any future changes would be published. HMRC stated in their original note that it was not prescribing the approach that DGT providers had to adopt, although they stated that any alternative approach must arrive at broadly similar results to the HMRC method.

- ENDS -

Notes to editors:

*Source: Fidelity as at 30.06.07

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