

Deed of Variation

A Deed of Variation or Family Arrangement enables Beneficiaries of a deceased's estate to alter the distribution of that estate and even to distribute the estate to a different Beneficiary altogether.

This can be drawn up up to two years after the date of death.

In order to establish a Deed of Variation ALL the beneficiaries of the Will must be in agreement.

When children are involved the matter is further complicated as they cannot themselves consent to changes. An application must be made to the courts for consent to be obtained on their behalf.

Reasons for a Deed of Variation

Reduce Tax Liability:

- A Deed of Variation can be used by the Beneficiaries of a deceased's estate to rewrite the distribution of the estate so that it passes on in the most Inheritance Tax efficient way and to minimise post death Capital Gains Tax (CGT) liabilities.
- Making a Discretionary Trust and a bequest skipping a generation, thus preventing the swelling of estates of wealthy parents which will be taxable.

Balance the differences between beneficiaries

- A Deed of Variation can also be used to balance the differences in the finances of the Beneficiaries (ie grant a higher proportion of entitlement to a poor sibling leaving the wealthier sibling with less).

However

A Deed of Variation should not be relied upon as part of an individual's estate planning.

Clear Accountancy and Tax can offer advice on the financial and taxation effects of a Deed of Variation.

To be effective a Deed of Variation should be drawn up by a solicitor.