



Inheritance Tax Act 1984

1984 CHAPTER 51

PART I

GENERAL

Main charges and definitions

1 Charge on transfers.

[^{F1}Inheritance tax] shall be charged on the value transferred by a chargeable transfer.

Textual Amendments

F1 See Finance Act 1986 s. 100(1) and (2)—for any liability to tax arising on and after 25 July 1986 any reference in the legislation to capital transfer tax has effect as a reference to inheritance tax.

2 Chargeable transfers and exempt transfers.

- (1) A chargeable transfer is a transfer of value which is made by an individual but is not (by virtue of Part II of this Act or any other enactment) an exempt transfer.
- (2) A transfer of value made by an individual and exempt only to a limited extent—
 - (a) is, if all the value transferred by it is within the limit, an exempt transfer, and
 - (b) is, if that value is partly within and partly outside the limit, a chargeable transfer of so much of that value as is outside the limit as well as an exempt transfer of so much of that value as is within the limit.
- (3) Except where the context otherwise requires, references in this Act to chargeable transfers, to their making or to the values transferred by them shall be construed as including references to occasions on which tax is chargeable under Chapter III of Part III of this Act (apart from section 79), to their occurrence or to the amounts on which tax is then chargeable.

Status: Point in time view as at 19/07/2007.

Changes to legislation: There are currently no known outstanding effects for the Inheritance Tax Act 1984, Cross Heading: Main charges and definitions. (See end of Document for details)

3 Transfers of value.

- (1) Subject to the following provisions of this Part of this Act, a transfer of value is a disposition made by a person (the transferor) as a result of which the value of his estate immediately after the disposition is less than it would be but for the disposition; and the amount by which it is less is the value transferred by the transfer.
- (2) For the purposes of subsection (1) above no account shall be taken of the value of excluded property which ceases to form part of a person’s estate as a result of a disposition.
- (3) [F2 Where the value of a person's estate is diminished, and the value—
 - (a) of another person's estate, or
 - (b) of any settled property, other than settled property treated by section 49(1) below as property to which a person is beneficially entitled,
 is increased] by the first-mentioned person’s omission to exercise a right, he shall be treated for the purposes of this section as having made a disposition at the time (or latest time) when he could have exercised the right, unless it is shown that the omission was not deliberate.
- (4) Except as otherwise provided, references in this Act to a transfer of value made, or made by any person, include references to events on the happening of which tax is chargeable as if a transfer of value had been made, or, as the case may be, had been made by that person; and “transferor” shall be construed accordingly.

Textual Amendments
F2 Words in s. 3(3) substituted (22.3.2006) by Finance Act 2006 (c. 25), s. 156, Sch. 20 paras. 7, 8

[F33A Potentially exempt transfers.

- (1) Any reference in this Act to a potentially exempt transfer is a reference to a transfer of value—
 - (a) which is made by an individual on or after 18th March 1986 [F4but before 22nd March 2006] ; and
 - (b) which, apart from this section, would be a chargeable transfer (or to the extent to which, apart from this section, it would be such a transfer); and
 - (c) to the extent that it constitutes either a gift to another individual or a gift into an accumulation and maintenance trust or a disabled trust;

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[Any reference in this Act to a potentially exempt transfer is also a reference to a F6(1A) transfer of value—

- (a) which is made by an individual on or after 22nd March 2006,
- (b) which, apart from this section, would be a chargeable transfer (or to the extent to which, apart from this section, it would be such a transfer), and
- (c) to the extent that it constitutes—
 - (i) a gift to another individual,
 - (ii) a gift into a disabled trust, or
 - (iii) a gift into a bereaved minor's trust on the coming to an end of an immediate post-death interest.

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- (1B) Subsections (1) and (1A) above have effect subject to any provision of this Act which provides that a disposition (or transfer of value) of a particular description is not a potentially exempt transfer.]
- (2) Subject to subsection (6) below, a transfer of value falls within subsection (1)(c) [^{F7} or (1A)(c)(i)] above, as a gift to another individual,—
- (a) to the extent that the value transferred is attributable to property which, by virtue of the transfer, becomes comprised in the estate of that other individual, . . . ^{F8}, or
 - (b) so far as that value is not attributable to property which becomes comprised in the estate of another person, to the extent that, by virtue of the transfer, the estate of that other individual is increased, . . . ^{F9}
- (3) Subject to subsection (6) below, a transfer of value falls within subsection (1)(c) above, as a gift into an accumulation and maintenance trust or a disabled trust, to the extent that the value transferred is attributable to property which, by virtue of the transfer, becomes settled property to which section 71 or 89 of this Act applies.
- [Subject to subsection (6) below, a transfer of value falls within subsection (1A)(c) ^{F10}(3A) (ii) above to the extent that the value transferred is attributable to property which, by virtue of the transfer, becomes settled property to which section 89 below applies.
- (3B) A transfer of value falls within subsection (1A)(c)(iii) above to the extent that the value transferred is attributable to settled property (whenever settled) that becomes property to which section 71A below applies in the following circumstances—
- (a) under the settlement, a person (“L”) is beneficially entitled to an interest in possession in the settled property,
 - (b) the interest in possession is an immediate post-death interest,
 - (c) on or after 22nd March 2006, but during L's life, the interest in possession comes to an end,
 - (d) L is beneficially entitled to the interest in possession immediately before it comes to an end, and
 - (e) on the interest in possession coming to an end, the property—
 - (i) continues to be held on the trusts of the settlement, and
 - (ii) becomes property to which section 71A below applies.]
- (4) A potentially exempt transfer which is made seven years or more before the death of the transferor is an exempt transfer and any other potentially exempt transfer is a chargeable transfer.
- (5) During the period beginning on the date of a potentially exempt transfer and ending immediately before—
- (a) the seventh anniversary of that date, or
 - (b) if it is earlier, the death of the transferor,
- it shall be assumed for the purposes of this Act that the transfer will prove to be an exempt transfer.
- (6) Where, under any provision of this Act [^{F11}other than section 52] tax is in any circumstances to be charged as if a transfer of value had been made, that transfer shall be taken to be a transfer which is not a potentially exempt transfer.]
- [^{F12}(7) In the application of this section to an event on the happening of which tax is chargeable under section 52 below, the reference in subsection (1)(a) [^{F13}or (1A)(a)]

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above to the individual by whom the transfer of value is made is a reference to the person who, by virtue of section 3(4) above, is treated as the transferor.]

Textual Amendments

- F3** Finance Act 1986 Sch. 19 para. 1, *in relation to transfers of value made on or after 18 March 1986.*
- F4** Words in s. 3A(1)(a) inserted (22.3.2006) by Finance Act 2006 (c. 25), s. 156, Sch. 20 paras. 7, **9(2)**
- F5** Words in s. 3A(1) repealed (22.3.2006) by Finance Act 2006 (c. 25), s. 178, {Sch. 26 Pt. 6 Note 1}
- F6** S. 3A(1A)(1B) inserted (22.3.2006) by Finance Act 2006 (c. 25), s. 156, Sch. 20 paras. 7, **9(3)**
- F7** Words in s. 3A(2) inserted (22.3.2006) by Finance Act 2006, s. 156, Sch. 20 paras. 7, {9(4)}
- F8** Repealed by Finance Act 1987 (No. 2) s. 96(2)(a) and Sch. 9 Part III, *with effect from 17 March 1987.*
- F9** Repealed by Finance Act 1987 (No. 2) s. 96(2)(b) and Sch. 9 Part III *with effect from 17 March 1987.*
- F10** S. 3A(3A)(3B) inserted (22.3.2006) by Finance Act 2006 (c. 25), s. 156, Sch. 20 paras. 7, **9(5)**
- F11** Finance Act 1987 (No. 2) s. 96(2)(c), *in relation to transfers of value made on or after 17 March 1987.*
- F12** Finance Act 1987 (No. 2) s. 96(1), (3), *in relation to transfers of value made on or after 17 March 1987.*
- F13** Words in s. 3A(7) inserted (22.3.2006) by Finance Act 2006 (c. 25), s. 156, Sch. 20 paras. 7, **9(6)**

4 Transfers on death.

- (1) On the death of any person tax shall be charged as if, immediately before his death, he had made a transfer of value and the value transferred by it had been equal to the value of his estate immediately before his death.
- (2) For the purposes of this section, where it cannot be known which of two or more persons who have died survived the other or others they shall be assumed to have died at the same instant.

5 Meaning of estate.

- (1) For the purposes of this Act a person's estate is the aggregate of all the property to which he is beneficially entitled, [^{F14} except that—
 - (a) the estate of a person—
 - (i) does not include an interest in possession in settled property to which section 71A or 71D below applies, and
 - (ii) does not include an interest in possession that falls within subsection (1A) below, and
 - (b) the] estate of a person immediately before his death does not include excluded property.

[^{F15}(1A) An interest in possession falls within this subsection if—

- (a) it is an interest in possession in settled property,
- (b) the settled property is not property to which section 71A or 71D below applies,
- (c) the person is beneficially entitled to the interest in possession,
- (d) the person became beneficially entitled to the interest in possession on or after 22nd March 2006, and
- (e) the interest in possession is—
 - (i) not an immediate post-death interest,
 - (ii) not a disabled person's interest, and
 - (iii) not a transitional serial interest.]

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- (2) A person who has a general power which enables him, or would if he were sui juris enable him, to dispose of any property other than settled property, or to charge money on any property other than settled property, shall be treated as beneficially entitled to the property or money; and for this purpose “general power” means a power or authority enabling the person by whom it is exercisable to appoint or dispose of property as he thinks fit.
- (3) In determining the value of a person’s estate at any time his liabilities at that time shall be taken into account, except as otherwise provided by this Act.
- (4) The liabilities to be taken into account in determining the value of a transferor’s estate immediately after a transfer of value include his liability for [^{F16}inheritance tax] on the value transferred but not his liability (if any) for any other tax or duty resulting from the transfer.
- (5) Except in the case of a liability imposed by law, a liability incurred by a transferor shall be taken into account only to the extent that it was incurred for a consideration in money or money’s worth.

Textual Amendments

F14 Words in s. 5(1) substituted (22.3.2006) by Finance Act 2006 (c. 25), s. 156, Sch. 20 para. 7, **10(2)**

F15 S. 5(1A) inserted (22.3.2006) by Finance Act 2006 (c. 25), s. 156, Sch. 20 paras. 7, **10(3)**

F16 See Finance Act 1986 s. 100(1) and (2)—for any liability to tax arising on and after 25 July 1986 any reference in the legislation to capital transfer tax has effect as a reference to inheritance tax.

6 Excluded property.

- (1) Property situated outside the United Kingdom is excluded property if the person beneficially entitled to it is an individual domiciled outside the United Kingdom.

[^{F17}(1A) A holding in an authorised unit trust and a share in an open-ended investment company is excluded property if the person beneficially entitled to it is an individual domiciled outside the United Kingdom.]
- (2) Where securities have been issued by the Treasury subject to a condition authorised by section 22 of the ^{M1}Finance (No. 2) Act 1931 (or section 47 of the ^{M2}Finance (No. 2) Act 1915) for exemption from taxation so long as the securities are in the beneficial ownership of persons [^{F18}of a description specified in the condition], the securities are excluded property if they are in the beneficial ownership of such a person.
- (3) Where the person beneficially entitled to the rights conferred by any of the following, namely—
 - (a) war savings certificates;
 - (b) national savings certificates (including Ulster savings certificates);
 - (c) premium savings bonds;
 - (d) deposits with the National Savings Bank or with a trustee savings bank;
 - (e) a [^{F19}certified SAYE savings arrangement] within the meaning of [^{F20}section 703(1) of the Income Tax (Trading and Other Income) Act 2005];is domiciled in the Channel Islands or the Isle of Man, the rights are excluded property.

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- (4) Property to which this subsection applies by virtue of section 155(1) below is excluded property.

Textual Amendments

- F17** S. 6(1A) inserted (with effect as stated in s. 186(8) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), [s. 186\(2\)](#)
- F18** Words in s. 6(2) substituted (29.4.1996 with effect as mentioned in s. 154(9) of the amending Act) by [1996 c. 8, s. 154\(7\)](#), [Sch. 28 para. 7](#) (with s. 154(5))
- F19** Words in s. 6(3)(e) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), ss. 882, 883, [Sch. 1 para. 394\(a\)](#) (with [Sch. 2](#))
- F20** Words in s. 6(3)(e) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), ss. 882, 883, [Sch. 1 para. 394\(b\)](#) (with [Sch. 2](#))

Marginal Citations

- M1** [1931 c. 49](#).
- M2** [1915 c. 89](#).

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