



Inheritance Tax Act 1984

1984 CHAPTER 51

PART II

EXEMPT TRANSFERS

CHAPTER I

GENERAL

18 Transfers between spouses [^{F1}or civil partners].

- (1) A transfer of value is an exempt transfer to the extent that the value transferred is attributable to property which becomes comprised in the estate of the transferor's spouse [^{F2}or civil partner] or, so far as the value transferred is not so attributable, to the extent that that estate is increased.
- (2) If, immediately before the transfer, the transferor but not the transferor's spouse [^{F3}or civil partner] is domiciled in the United Kingdom the value in respect of which the transfer is exempt (calculated as a value on which no tax is chargeable) shall not exceed [^{F4}the exemption limit at the time of the transfer,] less any amount previously taken into account for the purposes of the exemption conferred by this section.
- [^{F5}(2A) For the purposes of subsection (2), the exemption limit is the amount shown in the second column of the first row of the Table in Schedule 1 (upper limit of portion of value charged at rate of nil per cent).]
- (3) Subsection (1) above shall not apply in relation to property if the testamentary or other disposition by which it is given—
 - (a) takes effect on the termination after the transfer of value of any interest or period, or
 - (b) depends on a condition which is not satisfied within twelve months after the transfer;

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but paragraph (a) above shall not have effect by reason only that the property is given to a spouse [^{F6}or civil partner] only if he survives the other spouse [^{F6}or civil partner] for a specified period.

- (4) For the purposes of this section, property is given to a person if it becomes his property or is held on trust for him.

Textual Amendments

- F1** Words in s. 18 sidenote inserted (5.12.2005) by virtue of [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **7(5)**
- F2** Words in s. 18(1) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), **reg. 7(2)**
- F3** Words in s. 18(2) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **7(3)**
- F4** Words in s. 18(2) substituted (with effect in accordance with s. 178(4) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), **s. 178(2)**
- F5** S. 18(2A) inserted (with effect in accordance with s. 178(4) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), **s. 178(3)**
- F6** Words in s. 18(3) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **7(4)**

19 Annual exemption.

- (1) Transfers of value made by a transferor in any one year are exempt to the extent that the values transferred by them (calculated as values on which no tax is chargeable) do not exceed £3,000.
- (2) Where those values fall short of £3,000, the amount by which they fall short shall, in relation to the next following year, be added to the £3,000 mentioned in subsection (1) above.
- (3) Where those values exceed £3,000, the excess—
- (a) shall, as between transfers made on different days, be attributed so far as possible to a later rather than an earlier transfer, and
 - (b) shall, as between transfers made on the same day, be attributed to them in proportion to the values transferred by them.

[^{F7}(3A) A transfer of value which is a potentially exempt transfer—

- (a) shall in the first instance be left out of account for the purposes of subsections (1) to (3) above; and
- (b) if it proves to be a chargeable transfer, shall for the purposes of those subsections be taken into account as if, in the year in which it was made, it was made later than any transfer of value which was not a potentially exempt transfer.]

(4) In this section “year” means period of twelve months ending with 5th April.

(5) Section 3(4) above shall not apply for the purposes of this section (but without prejudice to sections 57 and 94(5) below).

Status: Point in time view as at 18/11/2015.

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Textual Amendments

F7 Finance Act 1986 Sch. 19, para. 5, in relation to transfers of value made on or after 18 March 1986.

20 Small gifts.

- (1) Transfers of value made by a transferor in any one year by outright gifts to any one person are exempt if the values transferred by them (calculated as values on which no tax is chargeable) do not exceed £250.
- (2) In this section “year” means period of twelve months ending with 5th April.
- (3) Section 3(4) above shall not apply for the purposes of this section.

21 Normal expenditure out of income.

- (1) A transfer of value is an exempt transfer if, or to the extent that, it is shown—
 - (a) that it was made as part of the normal expenditure of the transferor, and
 - (b) that (taking one year with another) it was made out of his income, and
 - (c) that, after allowing for all transfers of value forming part of his normal expenditure, the transferor was left with sufficient income to maintain his usual standard of living.
- (2) A payment of a premium on a policy of insurance on the transferor’s life, or a gift of money or money’s worth applied, directly or indirectly, in payment of such a premium, shall not for the purposes of this section be regarded as part of his normal expenditure if, when the insurance was made or at any earlier or later time, an annuity was purchased on his life, unless it is shown that—
 - (a) the purchase of the annuity, and
 - (b) the making or any variation of the insurance or of any prior insurance for which the first-mentioned insurance was directly or indirectly substituted,were not associated operations.
- (3) So much of a purchased life annuity (within the meaning of [F8] section 423 of the Income Tax (Trading and Other Income) Act 2005] as is, [F9] exempt from income tax under section 717 of that Act], shall not be regarded as part of the transferor’s income for the purposes of this section.
- (4) Subsection (3) above shall not apply to annuities purchased before 13th November 1974.
- (5) Section 3(4) above shall not apply for the purposes of this section.

Textual Amendments

F8 Words in s. 21(3) 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. 395\(a\)](#) (with [Sch. 2](#))

F9 Words in s. 21(3) 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. 395\(b\)](#) (with [Sch. 2](#))

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22 Gifts in consideration of marriage [^{F10}or civil partnership].

(1) Transfers of value made by gifts in consideration of marriage [^{F11}or civil partnership] are exempt to the extent that the values transferred by such transfers made by any one transferor in respect of any one marriage [^{F11}or civil partnership](calculated as values on which no tax is chargeable) do not exceed—

- (a) in the case of gifts within subsection (2) below by a parent of a party to the marriage [^{F11}or civil partnership] , £5,000,
- (b) in the case of other gifts within subsection (2) below, £2,500, and
- (c) in any other case £1,000;

any excess being attributed to the transfers in proportion to the values transferred.

(2) A gift is within this subsection if—

- (a) it is an outright gift to a child or remoter descendant of the transferor or
- (b) the transferor is a parent or remoter ancestor of either party to the marriage [^{F12}or civil partnership] , and either the gift is an outright gift to the other party to the marriage [^{F12}or civil partnership] or the property comprised in the gift is settled by the gift, or
- (c) the transferor is a party to the marriage [^{F12}or civil partnership] , and either the gift is an outright gift to the other party to the marriage [^{F12}or civil partnership] or the property comprised in the gift is settled by the gift;

and in this section “child” includes an illegitimate child, an adopted child and a step-child and “parent”, “descendant” and “ancestor” shall be construed accordingly.

(3) A disposition which is an outright gift shall not be treated for the purposes of this section as a gift made in consideration of marriage [^{F13}or civil partnership] if, or in so far as, it is a gift to a person other than a party to the marriage [^{F13}or civil partnership] .

(4) A disposition which is not an outright gift shall not be treated for the purposes of this section as a gift made in consideration of marriage [^{F14}or civil partnership] if the persons who are or may become entitled to any benefit under the disposition include any person other than—

- [^{F15}(a) the parties to the marriage or civil partnership, any child of the family of the parties to the marriage or civil partnership, or a spouse or civil partner of any such child;]
- (b) persons becoming entitled on the failure of trusts for any such [^{F16}child] under which trust property would (subject only to any power of appointment to a person falling within paragraph (a) or (c) of this subsection) vest indefeasibly on the attainment of a specified age or either on the attainment of such an age or on some earlier event, or persons becoming entitled (subject as aforesaid) on the failure of any limitation in tail;
- [^{F17}(c) a subsequent spouse or civil partner of a party to the marriage or civil partnership, any child of the family of the parties to any such subsequent marriage or civil partnership, or a spouse or civil partner of any such child;]
- (d) persons becoming entitled under such trusts, subsisting under the law of England and Wales or of Northern Ireland, as are specified in section 33(1) of the ^{M1}Trustee Act 1925 or section 34(1) of the ^{M2}Trustee Act (Northern Ireland) 1958 (protective trusts), the principal beneficiary being a person falling within paragraph (a) or (c) of this subsection, or under such trusts, modified by the enlargement, as respects any period during which there is no such [^{F18}child] as aforesaid in existence, of the class of potential beneficiaries

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specified in paragraph (ii) of the said section 33(1) or paragraph (b) of the said section 34(1);

- (e) persons becoming entitled under trusts subsisting under the law of Scotland and corresponding with such trusts as are mentioned in paragraph (d) above;
- (f) as respects a reasonable amount of remuneration, the trustees of the settlement.

[^{F19}(4A) In subsection (4) “child of the family”, in relation to parties to a marriage or civil partnership, means a child of one or both of them.]

(5) ^{F20}

(6) Section 3(4) above shall not apply for the purposes of this section (but without prejudice to section 57 below).

Textual Amendments

- F10** Words in s. 22 sidenote inserted (5.12.2005) by virtue of [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **8(8)**
- F11** Words in s. 22(1) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **8(2)**
- F12** Words in s. 22(2) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **8(3)**
- F13** Words in s. 22(3) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **8(4)**
- F14** Words in s. 22(4) inserted (5.12.2005 with effect in accordance with reg. 1(3) of the amending S.I.) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **8(5)(a)**
- F15** S. 22(4)(a) substituted (5.12.2005 with effect in accordance with reg. 1(3) of the amending S.I.) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **8(5)(b)**
- F16** Word in s. 22(4)(b) substituted (5.12.2005 with effect in accordance with reg. 1(3) of the amending S.I.) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **8(5)(c)**
- F17** S. 22(4)(c) substituted (5.12.2005 with effect in accordance with reg. 1(3) of the amending S.I.) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **8(5)(d)**
- F18** Word in s. 22(4)(d) substituted (5.12.2005 with effect in accordance with reg. 1(3) of the amending S.I.) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **8(5)(e)**
- F19** S. 22(4A) inserted (5.12.2005 with effect in accordance with reg. 1(3) of the amending S.I.) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **8(6)**
- F20** S. 22(5) omitted (5.12.2005 with effect in accordance with reg. 1(3) of the amending S.I.) by virtue of [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **8(7)**

Marginal Citations

- M1** 1925 c. 19.
- M2** 1958 c. 23 (N.I.).

23 Gifts to charities [^{F21}or registered clubs].

- (1) Transfers of value are exempt to the extent that the values transferred by them are attributable to property which is given to charities [^{F22}or registered clubs].
- (2) Subsection (1) above shall not apply in relation to property if the testamentary or other disposition by which it is given—
 - (a) takes effect on the termination after the transfer of value of any interest or period, or

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(b) depends on a condition which is not satisfied within twelve months after the transfer, or

(c) is defeasible;

and for this purpose any disposition which has not been defeated at a time twelve months after the transfer of value and is not defeasible after that time shall be treated as not being defeasible (whether or not it was capable of being defeated before that time).

(3) Subsection (1) above shall not apply in relation to property which is an interest in other property if—

(a) that interest is less than the donor's, or

(b) the property is given for a limited period;

and for this purpose any question whether an interest is less than the donor's shall be decided as at a time twelve months after the transfer of value.

(4) Subsection (1) above shall not apply in relation to any property if—

(a) the property is land or a building and is given subject to an interest reserved or created by the donor which entitled him, his spouse [^{F23}or civil partner] or a person connected with him to possession of, or to occupy, the whole or any part of the land or building rent-free or at a rent less than might be expected to be obtained in a transaction at arm's length between persons not connected with each other, or

(b) the property is not land or a building and is given subject to an interest reserved or created by the donor other than—

(i) an interest created by him for full consideration in money or money's worth, or

(ii) an interest which does not substantially affect the enjoyment of the property by the person or body to whom it is given;

and for this purpose any question whether property is given subject to an interest shall be decided as at a time twelve months after the transfer of value.

(5) [^{F24}In the case of any property which is given to charities,] subsection (1) above shall not apply in relation to [^{F25}the] property if it or any part of it may become applicable for purposes other than charitable purposes or those of a body mentioned in section 24, [^{F26}or 25] below [^{F27}or, where it is land, of a body mentioned in section 24A below].

[^{F28}(5A) In the case of any property which is given to a registered club, subsection (1) above shall not apply in relation to the property if it or any part of it may become applicable for purposes other than—

(a) the purposes of the club in question;

(b) the purposes of another registered club;

(c) the purposes of the governing body of an eligible sport for the purposes of which the club in question exists; or

(d) charitable purposes.]

[^{F29}(6) For the purposes of this section—

(a) property is given to charities if it becomes the property of charities or is held on trust for charitable purposes only; and

(b) property is given to registered clubs if it becomes the property of registered clubs or is held on trust for purposes of registered clubs only;

and “donor” shall be construed accordingly.

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(7) For the purposes of this section “registered club” and “eligible sport” have the same meaning as in Chapter 9 of Part 13 of the Corporation Tax Act 2010.]

Textual Amendments

- F21** S. 23: words in title inserted (1.4.2010 with effect as mentioned in s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), ss. 1177, 1184, **Sch. 1 para. 189(6)** (with Sch. 2)
- F22** Words in s. 23(1) inserted (1.4.2010 with effect as mentioned in s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), ss. 1177, 1184, **Sch. 1 para. 189(2)** (with Sch. 2)
- F23** Words in s. 23(4)(a) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **9**
- F24** Words in s. 23(5) inserted (1.4.2010 with effect as mentioned in s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), ss. 1177, 1184, **Sch. 1 para. 189(3)(a)** (with Sch. 2)
- F25** Word in s. 23(5) inserted (1.4.2010 with effect as mentioned in s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), ss. 1177, 1184, **Sch. 1 para. 189(3)(b)** (with Sch. 2)
- F26** Words in s. 23(5) substituted (31.7.1998 with effect in relation to any transfer of value made on or after 17.3.1998) by [1998 c. 36, s. 143\(2\)\(a\)](#)
- F27** Finance Act 1989 s. 171(2), *in relation to transfers of value made on or after 14 March 1989.*
- F28** S. 23(5A) inserted (1.4.2010 with effect as mentioned in s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), ss. 1177, 1184, **Sch. 1 para. 189(4)** (with Sch. 2)
- F29** S. 23(6)(7) substituted (1.4.2010 with effect as mentioned in s. 1184(1) of the amending Act) for s. 23(6) by [Corporation Tax Act 2010 \(c. 4\)](#), ss. 1177, 1184, **Sch. 1 para. 189(5)** (with Sch. 2)

Modifications etc. (not altering text)

- C1** S. 23 modified (24.7.2002 with effect as mentioned in s. 58(4) of the amending Act) by [2002 c. 23, s. 58, Sch. 18 Pt. 3, para. 9\(2\)](#)

24 Gifts to political parties.

- (1) Transfers of value are exempt to the extent that the values transferred by them—
 - (a) are attributable to property which becomes the property of a political party qualifying for exemption under this section; . . . ^{F30}
 - (b) ^{F30}
- (2) A political party qualifies for exemption under this section if, at the last general election preceding the transfer of value,—
 - (a) two members of that party were elected to the House of Commons, or
 - (b) one member of that party was elected to the House of Commons and not less than 150,000 votes were given to candidates who were members of that party.
- (3) Subsections (2) to (5) of section 23 above shall apply in relation to subsection (1) above as they apply in relation to section 23(1).
- (4) For the purposes of section 23(2) to (5) as they apply by virtue of subsection (3) above property is given to any person or body if it becomes the property of or is held on trust for that person or body, and “donor” shall be construed accordingly.

Textual Amendments

- F30** *Repealed by Finance Act 1988 s. 137 and Sch. 14, Part X in relation to transfers of value made on or after 15 March 1988.*

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Modifications etc. (not altering text)

C2 S. 24 applied (6.3.1992 with effect as mentioned in s. 289(1)(2) of the applying Act) by [Taxation of Chargeable Gains Act 1992 \(c. 12\)](#), **ss. 264(8)**, 289(with ss. 60, 101(1), 201(3)).

[^{F31}24A Gifts to housing associations.

(1) A transfer of value is exempt to the extent that the value transferred by it is attributable to land in the United Kingdom given to a [^{F32}body falling within subsection (2) below].

[A body falls within this subsection if it is—
^{F33}(2) [a non-profit registered provider of social housing;]
^{F34}(za)

- (a) a registered social landlord within the meaning of Part I of the Housing Act 1996;
- (b) a registered housing association within the meaning of the Housing Associations Act 1985; or
- (c) a registered housing association within the meaning of Part II of the Housing (Northern Ireland) Order 1992.]]

(3) Subsections (2) to (5) of section 23 and subsection (4) of section 24 above shall apply in relation to subsection (1) above as they apply in relation to section 24(1).

Textual Amendments

- F31** Finance Act 1989 s. 171(1), with effect from 14 March 1989.
- F32** Words in s. 24A(1) substituted (1.10.1996) by [S.I. 1996/2325, art. 5\(1\)](#), **Sch. 2 para. 12(2)**
- F33** S. 24A(2) substituted (1.10.1996) by [S.I. 1996/2325, art. 5\(1\)](#), **Sch. 2 para. 12(3)**
- F34** S. 24A(2)(za) inserted (1.4.2010) by [Housing and Regeneration Act 2008 \(c. 17\)](#), ss. 277, 325, **Sch. 9 para. 7**; [S.I. 2010/862, art. 2](#) (with Sch.)

25 Gifts for national purposes, etc.

(1) A transfer of value is an exempt transfer to the extent that the value transferred by it is attributable to property which becomes the property of a body within Schedule 3 to this Act.

(2) Subsections (2) to (5) of section 23 and subsection (4) of section 24 above shall apply in relation to subsection (1) above as they apply in relation to section 24(1), except that section 23(3) shall not prevent subsection (1) above from applying in relation to property consisting of the benefit of an agreement restricting the use of land.

[^{F35}(3) A transfer of value is an exempt transfer to the extent that the value transferred by it is attributable to property that is being transferred in the circumstances described in paragraph 1 of Schedule 14 to the Finance Act 2012 (gifts to the nation).]

Textual Amendments

F35 S. 25(3) inserted (17.7.2012) by [Finance Act 2012 \(c. 14\)](#), **Sch. 14 para. 27**

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Textual Amendments

- F36** S. 26 repealed (31.7.1998 with effect as mentioned in s. 143(1) of the amending Act) by 1998 c. 36, ss. 143(1), 165(1), Sch. 27 Pt. IV, note 1

[^{F37} 26A Potentially exempt transfer of property subsequently held for national purposes etc.

A potentially exempt transfer which would (apart from this section) have proved to be a chargeable transfer shall be an exempt transfer to the extent that the value transferred by it is attributable to property which has been or could be designated under section 31(1) below and which, during the period beginning with the date of the transfer and ending with the death of the transferor,—

- (a) has been disposed of by sale by private treaty to a body mentioned in Schedule 3 to this Act or has been disposed of to such a body otherwise than by sale, or
- (b) has been disposed of in pursuance of section 230 below [^{F38}or in the circumstances described in paragraph 1 of Schedule 14 to the Finance Act 2012 (gifts to the nation)].]

Textual Amendments

- F37** Finance Act 1986 Sch. 19, para. 6, in relation to transfers of value made on or after 18 March 1986.
F38 Words in s. 26A(b) inserted (17.7.2012) by Finance Act 2012 (c. 14), Sch. 14 para. 28

27 Maintenance funds for historic buildings, etc.

- (1) [^{F39}Subject to subsection (1A) below,] a transfer of value is an exempt transfer to the extent that the value transferred by it is attributable to property which by virtue of the transfer becomes comprised in a settlement and in respect of which—
 - (a) a direction under paragraph 1 of Schedule 4 to this Act has effect at the time of the transfer, or
 - (b) such a direction is given after the time of the transfer.

[^{F40}(1A) Subsection (1) above does not apply in the case of a direction given after the time of the transfer unless the claim for the direction (if it is not made before that time) is made no more than two years after the date of that transfer, or within such longer period as the Board may allow.]

- (2) Subsections (2) and (3) of the section 23 and subsection (4) of section 24 above shall apply in relation to subsection (1) above as they apply in relation to section 24(1).

Textual Amendments

- F39** Words in s. 27(1) inserted (31.7.1998 with effect in relation to transfers of value made on or after 17.3.1998) by 1998 c. 36, s. 144(1)(2)
F40 S. 27(1A) inserted (31.7.1998 with effect in relation to transfers of value made on or after 17.3.1998) by 1998 c. 36, s. 144(1)(2)

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28 Employee trusts.

- (1) A transfer of value made by an individual who is beneficially entitled to shares in a company is an exempt transfer to the extent that the value transferred is attributable to shares in or securities of the company which become comprised in a settlement if—
 - (a) the trusts of the settlement are of the description specified in section 86(1) below, and
 - (b) the persons for whose benefit the trusts permit the settled property to be applied include all or most of the persons employed by or holding office with the company.

- (2) Subsection (1) above shall not apply unless at the date of the transfer, or at a subsequent date not more than one year thereafter, both the following conditions are satisfied, that is to say—
 - (a) the trustees—
 - (i) hold more than one half of the ordinary shares in the company, and
 - (ii) have powers of voting on all questions affecting the company as a whole which if exercised would yield a majority of the votes capable of being exercised on them; and
 - (b) there are no provisions in any agreement or instrument affecting the company's constitution or management or its shares or securities whereby the condition in paragraph (a) above can cease to be satisfied without the consent of the trustees.

- (3) Where the company has shares or securities of any class giving powers of voting limited to either or both of the following—
 - (a) the question of winding up the company, and
 - (b) any question primarily affecting shares or securities of that class,
 the reference in subsection (2)(a)(ii) above to all questions affecting the company as a whole shall be read as a reference to all such questions except any in relation to which those powers are capable of being exercised.

- (4) Subsection (1) above shall not apply if the trusts permit any of the settled property to be applied at any time (whether during any such period as is referred to in section 86(1) below or later) for the benefit of—
 - (a) a person who is a participator in the company mentioned in subsection (1) above; or
 - (b) any other person who is a participator in any close company that has made a disposition whereby property became comprised in the same settlement, being a disposition which but for section 13 above would have been a transfer of value; or
 - (c) any other person who has been a participator in the company mentioned in subsection (1) above or in any such company as is mentioned in paragraph (b) above at any time after, or during the ten years before, the transfer of value mentioned in subsection (1) above; or
 - (d) any person who is connected with any person within paragraph (a), (b) or (c) above.

- (5) The participators in a company who are referred to in subsection (4) above do not include any participator who—
 - (a) is not beneficially entitled to, or to rights entitling him to acquire, 5 per cent. or more of, or of any class of the shares comprised in, its issued share capital, and

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- (b) on a winding-up of the company would not be entitled to 5 per cent. or more of its assets.
- (6) In determining whether the trusts permit property to be applied as mentioned in subsection (4) above, no account shall be taken of any power to make a payment which is the income of any person for any of the purposes of income tax, or would be the income for any of those purposes of a person not resident in the United Kingdom if he were so resident.
- (7) Subsection (5) of section 13 above shall have effect in relation to this section as it has effect in relation to that section.

[^{F41}28A Employee-ownership trusts

- (1) A transfer of value made by an individual who is beneficially entitled to shares in a company (“C”) is an exempt transfer to the extent that the value transferred is attributable to shares in or securities of C which become comprised in a settlement if—
 - (a) C meets the trading requirement,
 - (b) the settlement meets the all-employee benefit requirement, and
 - (c) the settlement does not meet the controlling interest requirement immediately before the beginning of the tax year in which the transfer of value is made but does meet it at the end of that year.
- (2) Sections 236I, 236J, 236K, 236M and 236T (but not 236L) of the 1992 Act apply to determine whether—
 - (a) C meets the trading requirement;
 - (b) the settlement meets the all-employee benefit requirement;
 - (c) the settlement meets the controlling interest requirement;with references in those sections to “C” being read accordingly.
- (3) In this section “tax year” means a year beginning on 6 April and ending on the following 5 April.]

Textual Amendments

- F41** S. 28A inserted (with effect in accordance with Sch. 37 para. 11(2) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 37 para. 11\(1\)](#)

29 Loans—modifications of exemptions.

- (1) If or to the extent that a transfer of value is a disposition whereby the use of money or other property is allowed by one person to another (“the borrower”), the preceding provisions of this Chapter shall apply to it with the following modification.
- (2) For the purposes of section 18 the borrower’s estate shall be treated as increased by an amount equal to the value transferred; and section 18(3) shall not apply.
- (3) For the purposes of sections 20 and 22 the transfer of value shall be treated as made by outright gift.
- (4) Section 21(1) shall apply as if for the conditions stated in paragraphs (a) and (b) there were substituted the condition that the transfer was a normal one on the part of the transferor.

Status: Point in time view as at 18/11/2015.

Changes to legislation: There are currently no known outstanding effects for the Inheritance Tax Act 1984, CHAPTER I. (See end of Document for details)

- (5) For the purposes of sections 23 [F42 to 25]—
- (a) the value transferred shall be treated as attributable to the property of which the borrower is allowed the use, and
 - (b) that property shall be treated as given to, or as becoming the property of, the borrower unless the use allowed includes use for purposes other than charitable purposes or those of a body mentioned in section 24, [F42 or 25] [F43] or where it is land, of a body mentioned in section 24A]
- and sections 23(2) to (6), 24 . . . F44, (3) and (4), [F43 24A(3)] [F42] and 25(2)] shall not apply.

Textual Amendments

- F42** Words in s. 29(5) substituted (31.7.1998 with effect in relation to any transfer of value made on or after 17.3.1998) by 1998 c. 36, s. 143(2)(b)
- F43** Finance Act 1989 s. 171(3), *in relation to transfers of value made on or after 14 March 1989.*
- F44** “(1)(b)”
repealed by Finance Act 1988 s. 148 and Sch. 14, Part X, with effect from 15 March 1988.

[F45] 29A Abatement of exemption where claim settled out of beneficiary’s own resources.

- (1) This section applies where—
- (a) apart from this section the transfer of value made on the death of any person is an exempt transfer to the extent that the value transferred by it is attributable to an exempt gift, and
 - (b) the exempt beneficiary, in settlement of the whole or part of any claim against the deceased’s estate, effects a disposition of property not derived from the transfer.
- (2) The provisions of this Act shall have effect in relation to the transfer as if—
- (a) so much of the relevant value as is equal to the following amount, namely the amount by which the value of the exempt beneficiary’s estate immediately after the disposition is less than it would be but for the disposition, or
 - (b) where that amount exceeds the relevant value, the whole of the relevant value, were attributable to such a gift to the exempt beneficiary as is mentioned in subsection (3) below (instead of being attributable to a gift with respect to which the transfer is exempt).
- (3) The gift referred to in subsection (2) above is a specific gift with respect to which the transfer is chargeable, being a gift which satisfies the conditions set out in paragraphs (a) and (b) of section 38(1) below.
- (4) In determining the value of the exempt beneficiary’s estate for the purposes of subsection (2) above—
- (a) no deduction shall be made in respect of the claim referred to in subsection (1) (b) above, and
 - (b) where the disposition referred to in that provision constitutes a transfer of value—
 - (i) no account shall be taken of any liability of the beneficiary for any tax on the value transferred, and
 - (ii) sections 104 and 116 below shall be disregarded.

Status: Point in time view as at 18/11/2015.

Changes to legislation: There are currently no known outstanding effects for the Inheritance Tax Act 1984, CHAPTER I. (See end of Document for details)

(5) Subsection (1)(b) above does not apply in relation to any claim against the deceased's estate in respect of so much of any liability as is, in accordance with this Act, to be taken into account in determining the value of the estate.

(6) In this section—

“exempt gift”, in relation to a transfer of value falling within subsection (1)

(a) above, means—

(a) a gift with respect to which the transfer is (apart from this section) exempt by virtue of the provisions of any sections 18 and 23 [^{F46}to 28A] above, or

(b) where (apart from this section) the transfer is so exempt with respect to a gift up to a limit, so much of the gift as is within that limit;

“the exempt beneficiary”, in relation to an exempt gift, means any of the following, namely—

(a) where the gift is exempt by virtue of section 18 above, the deceased's spouse [^{F47}or civil partner],

(b) where the gift is exempt by virtue of section 23 above, any person or body—

(i) whose property the property falling within subsection (1) of that section becomes, or

(ii) by whom that property is held on trust for charitable purposes,

(c) where the gift is exempt by virtue of section 24, [^{F48}or 25] above, any body whose property the property falling within subsection (1) of that section becomes,

(d) where the gift is exempt by virtue of section 24A above, any body to whom the land falling within subsection (1) of that section is given, and

(e) where the gift is exempt by virtue of section 27 [^{F49}, 28 or 28A] above, the trustees of any settlement in which the property falling within subsection (1) of that section becomes comprised;

“gift” and “specific gift” have the same meaning as in Chapter III of this Part; and

“the relevant value”, in relation to a transfer of value falling within subsection (1)(a) above, means so much of the value transferred by the transfer as is attributable to the gift referred to in that provision.]

Textual Amendments

F45 Finance Act 1989 s. 172(1), *in relation to deaths occurring on or after 27 July 1989.*

F46 Words in s. 29A(6) substituted (with effect in accordance with Sch. 37 para. 12(2) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 37 para. 12\(1\)\(a\)](#)

F47 S. 29A(6): words in the definition of “the exempt beneficiary” inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), [regs. 1\(1\), 10](#)

F48 S. 29A(6): words in the definition of “the exempt beneficiary” substituted (31.7.1998 with effect in relation to any transfer of value made on or after 17.3.1998) by [1998 c. 36, s. 143\(2\)\(a\)](#)

F49 Words in s. 29A(6) substituted (with effect in accordance with Sch. 37 para. 12(2) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 37 para. 12\(1\)\(b\)](#)

Status:

Point in time view as at 18/11/2015.

Changes to legislation:

There are currently no known outstanding effects for the Inheritance Tax Act 1984, CHAPTER I.