



Inheritance Tax Act 1984

1984 CHAPTER 51

PART III

SETTLED PROPERTY

CHAPTER II

[^{F1} INTERESTS IN POSSESSION, REVERSIONARY INTERESTS AND SETTLEMENT POWERS]

Textual Amendments

- F1** Words in the title of Chapter II substituted (24.7.2002 with effect in relation to transfers of value on or after 17.4.2002) by virtue of 2002 c. 23, s. 119(5)(6)

49 Treatment of interests in possession.

(1) A person beneficially entitled to an interest in possession in settled property shall be treated for the purposes of this Act as beneficially entitled to the property in which the interest subsists.

[^{F2}(1A) Where the interest in possession mentioned in subsection (1) above is one to which the person becomes beneficially entitled on or after 22nd March 2006, subsection (1) above applies in relation to that interest only if, and for so long as, it is—

- (a) an immediate post-death interest,
- (b) a disabled person's interest, or
- (c) a transitional serial interest,

[^{F3}or falls within section 5(1B) above.]

(1B) Where the interest in possession mentioned in subsection (1) above is one to which the person became beneficially entitled before 22nd March, subsection (1) above does

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not apply in relation to that interest at any time when section 71A below applies to the property in which the interest subsists.]

- (2) Where a person becomes entitled to an interest in possession in settled property as a result of a disposition for a consideration in money or money’s worth, any question whether and to what extent the giving of the consideration is a transfer of value or chargeable transfer shall be determined without regard to subsection (1) above.
- (3) ^{F4}

Textual Amendments

F2 S. 49(1A)(1B) inserted (22.3.2006) by Finance Act 2006 (c. 25), s. 156, Sch. 20 para. 4(1)(2)

F3 Words in s. 49(1A) inserted (with effect as mentioned in s. 53(10) of the amending Act) by Finance Act 2010 (c. 13), s. 53(4)(a)

F4 Finance Act 1986 Sch. 19 para. 14, with effect from 18 March 1986 and repealed by Finance Act (No.2) 1987 s. 96(4) and Sch. 9 Part III, in relation to transfers of value made on or after 17 March 1987.

[^{F5}49A Immediate post-death interest

- (1) Where a person (“L”) is beneficially entitled to an interest in possession in settled property, for the purposes of this Chapter that interest is an “immediate post-death interest” only if the following conditions are satisfied.
- (2) Condition 1 is that the settlement was effected by will or under the law relating to intestacy.
- (3) Condition 2 is that L became beneficially entitled to the interest in possession on the death of the testator or intestate.
- (4) Condition 3 is that—
 - (a) section 71A below does not apply to the property in which the interest subsists, and
 - (b) the interest is not a disabled person's interest.
- (5) Condition 4 is that Condition 3 has been satisfied at all times since L became beneficially entitled to the interest in possession.

Textual Amendments

F5 Ss. 49A-49E inserted (22.3.2006) by Finance Act 2006 (c. 25), s. 156, Sch. 20 para. 5(1)(2)

49B Transitional serial interests

Where a person is beneficially entitled to an interest in possession in settled property, for the purposes of this Chapter that interest is a “transitional serial interest” only—

- (a) if section 49C or 49D below so provides, or
- (b) if, and to the extent that, section 49E below so provides.

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Textual Amendments

F5 Ss. 49A-49E inserted (22.3.2006) by Finance Act 2006 (c. 25), s. 156, Sch. 20 para. 5(1)(2)

49C Transitional serial interest: interest to which person becomes entitled during period 22nd March 2006 to 5th ^[F6]October] 2008

- (1) Where a person (“B”) is beneficially entitled to an interest in possession in settled property (“the current interest”), that interest is a transitional serial interest for the purposes of this Chapter if the following conditions are met.
- (2) Condition 1 is that—
 - (a) the settlement commenced before 22nd March 2006, and
 - (b) immediately before 22nd March 2006, the property then comprised in the settlement was property in which B, or some other person, was beneficially entitled to an interest in possession (“the prior interest”).
- (3) Condition 2 is that the prior interest came to an end at a time on or after 22nd March 2006 but before 6th ^[F7]October] 2008.
- (4) Condition 3 is that B became beneficially entitled to the current interest at that time.
- (5) Condition 4 is that—
 - (a) section 71A below does not apply to the property in which the interest subsists, and
 - (b) the interest is not a disabled person's interest.

Textual Amendments

F5 Ss. 49A-49E inserted (22.3.2006) by Finance Act 2006 (c. 25), s. 156, Sch. 20 para. 5(1)(2)

F6 S. 49C: word in heading substituted (retrospective to 6.4.2008) by Finance Act 2008 (c. 9), s. 141(1)(a)(2)

F7 Word in s. 49C(3) substituted (retrospective to 6.4.2008) by Finance Act 2008 (c. 9), s. 141(1)(a)(2)

49D Transitional serial interest: interest to which person becomes entitled on death of spouse or civil partner on or after 6th ^[F8]October] 2008

- (1) Where a person (“E”) is beneficially entitled to an interest in possession in settled property (“the successor interest”), that interest is a transitional serial interest for the purposes of this Chapter if the following conditions are met.
- (2) Condition 1 is that—
 - (a) the settlement commenced before 22nd March 2006, and
 - (b) immediately before 22nd March 2006, the property then comprised in the settlement was property in which a person other than E was beneficially entitled to an interest in possession (“the previous interest”).
- (3) Condition 2 is that the previous interest came to an end on or after 6th ^[F9]October] 2008 on the death of that other person (“F”).
- (4) Condition 3 is that, immediately before F died, F was the spouse or civil partner of E.

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- (5) Condition 4 is that E became beneficially entitled to the successor interest on F's death.
- (6) Condition 5 is that—
- (a) section 71A below does not apply to the property in which the successor interest subsists, and
 - (b) the successor interest is not a disabled person's interest.

Textual Amendments

- F5** Ss. 49A-49E inserted (22.3.2006) by [Finance Act 2006 \(c. 25\)](#), s. 156, [Sch. 20 para. 5\(1\)\(2\)](#)
- F8** S. 49D: word in heading substituted (retrospective to 6.4.2008) by [Finance Act 2008 \(c. 9\)](#), s. [141\(1\)\(b\)\(2\)](#)
- F9** Word in s. 49D(3) substituted (retrospective to 6.4.2008) by [Finance Act 2008 \(c. 9\)](#), s. [141\(1\)\(b\)\(2\)](#)

49E Transitional serial interest: contracts of life insurance

- (1) Where—
- (a) a person (“C”) is beneficially entitled to an interest in possession in settled property (“the present interest”), and
 - (b) on C's becoming beneficially entitled to the present interest, the settled property consisted of, or included, rights under a contract of life insurance entered into before 22nd March 2006,
- the present interest so far as subsisting in rights under the contract, or in property comprised in the settlement that directly or indirectly represents rights under the contract, is a “transitional serial interest” for the purposes of this Chapter if the following conditions are met.
- (2) Condition 1 is that—
- (a) the settlement commenced before 22nd March 2006, and
 - (b) immediately before 22nd March 2006—
 - (i) the property then comprised in the settlement consisted of, or included, rights under the contract, and
 - (ii) those rights were property in which C, or some other person, was beneficially entitled to an interest in possession (“the earlier interest”).
- (3) Condition 2 is that—
- (a) the earlier interest came to an end at a time on or after 6th [F10 October] 2008 (“the earlier-interest end-time”) on the death of the person beneficially entitled to it and C became beneficially entitled to the present interest—
 - (i) at the earlier-interest end-time, or
 - (ii) on the coming to an end, on the death of the person beneficially entitled to it, of an interest in possession to which that person became beneficially entitled at the earlier-interest end-time, or
 - (iii) on the coming to an end of the second or last in an unbroken sequence of two or more consecutive interests in possession to the first of which a person became beneficially entitled at the earlier-interest end-time and each of which ended on the death of the person beneficially entitled to it, or
 - (b) C became beneficially entitled to the present interest—

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- (i) on the coming to an end, on the death of the person entitled to it, of an interest in possession that is a transitional serial interest under section 49C above, or
 - (ii) on the coming to an end of the second or last in an unbroken sequence of two or more consecutive interests in possession the first of which was a transitional serial interest under section 49C above and each of which ended on the death of the person beneficially entitled to it.
- (4) Condition 3 is that rights under the contract were comprised in the settlement throughout the period beginning with 22nd March 2006 and ending with C's becoming beneficially entitled to the present interest.
- (5) Condition 4 is that—
- (a) section 71A below does not apply to the property in which the present interest subsists, and
 - (b) the present interest is not a disabled person's interest.]

Textual Amendments

F5 Ss. 49A-49E inserted (22.3.2006) by [Finance Act 2006 \(c. 25\)](#), s. 156, [Sch. 20 para. 5\(1\)\(2\)](#)

F10 Word in s. 49E(3) substituted (retrospective to 6.4.2008) by [Finance Act 2008 \(c. 9\)](#), s. 141(1)(c)(2)

50 Interests in part, etc.

- (1) Where the person referred to in section 49(1) above is entitled to part only of the income (if any) of the property, the interest shall be taken to subsist in such part only of the property as bears to the whole the same proportion as the part of the income to which he is entitled bears to the whole of the income.
- (2) Where the part of the income of any property to which a person is entitled is a specified amount (or the whole less a specified amount) in any period, his interest in the property shall be taken, subject to subsection (3) below, to subsist in such part (or in the whole less such part) of the property as produces that amount in that period.
- (3) The Treasury may from time to time by order prescribe a higher and a lower rate for the purposes of this section; and where tax is chargeable in accordance with subsection (2) above by reference to the value of the part of a property which produces a specified amount or by reference to the value of the remainder (but not where chargeable transfers are made simultaneously and tax is chargeable by reference to the value of that part as well as by reference to the value of the remainder) the value of the part producing that specified amount—
 - (a) shall, if tax is chargeable by reference to the value of that part, be taken to be not less than it would be if the property produced income at the higher rate so prescribed, and
 - (b) shall, if tax is chargeable by reference to the value of the remainder, be taken to be not more than it would be if the property produced income at the lower rate so prescribed;
 but the value to be taken by virtue of paragraph (a) above as the value of part of a property shall not exceed the value of the whole of the property.

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- (4) The power to make orders under subsection (3) above shall be exercisable by statutory instrument, which shall be subject to annulment in pursuance of a resolution of the House of Commons.
- (5) Where the person referred to in section 49(1) above is not entitled to any income of the property but is entitled, jointly or in common with one or more other persons, to the use and enjoyment of the property, his interest shall be taken to subsist in such part of the property as corresponds to the proportion which the annual value of his interest bears to the aggregate of the annual values of his interest and that or those of the other or others.
- (6) Where, under section 43(3) above, a lease of property is to be treated as a settlement, the lessee's interest in the property shall be taken to subsist in the whole of the property less such part of it as corresponds to the proportion which the value of the lessor's interest (as determined under Part VI of this Act) bears to the value of the property.

Modifications etc. (not altering text)

C1 See [S.I. 1980/1000](#) (in Part III Statutory Regulations etc.) for the current rates applicable.

51 Disposal of interest in possession.

- (1) Where a person beneficially entitled to an interest in possession in settled property disposes of his interest the disposal—
- (a) is not a transfer of value, but
 - (b) shall be treated for the purposes of this Chapter as the coming to an end of his interest;
- and tax shall be charged accordingly under section 52 below.

[^{F11}(1A) Where the interest disposed of is one to which the person became beneficially entitled on or after 22nd March 2006, subsection (1) above applies in relation to the disposal only if the interest is—

- (a) an immediate post-death interest,
- (b) a disabled person's interest within section 89B(1)(c) or (d) below, or
- (c) a transitional serial interest,

[^{F12}or falls within section 5(1B) above.]

(1B) Where the interest disposed of is one to which the person became beneficially entitled before 22nd March 2006, subsection (1) above does not apply in relation to the disposal if, immediately before the disposal, section 71A or 71D below applies to the property in which the interest subsists.]

- (2) Where a disposition satisfying the conditions of section 11 above is a disposal of an interest in possession in settled property, the interest shall not by virtue of subsection (1) above be treated as coming to an end.
- (3) References in this section to any property or to an interest in any property include references to part of any property or interest.

Textual Amendments

F11 [S. 51\(1A\)\(1B\)](#) inserted (22.3.2006) by [Finance Act 2006 \(c. 25\)](#), s. 156, Sch. 20 paras. 7, 12

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F12 Words in s. 51(1A) inserted (with effect as mentioned in s. 53(10) of the amending Act) by Finance Act 2010 (c. 13), s. 53(4)(b)

52 Charge on termination of interest in possession.

- (1) Where at any time during the life of a person beneficially entitled to an interest in possession in settled property his interest comes to an end, tax shall be charged, subject to section 53 below, as if at that time he had made a transfer of value and the value transferred had been equal to the value of the property in which his interest subsisted.
- (2) If the interest comes to an end by being disposed of by the person beneficially entitled to it and the disposal is for a consideration in money or money's worth, tax shall be chargeable under this section as if the value of the property in which the interest subsisted were reduced by the amount of the consideration; but in determining that amount the value of a reversionary interest in the property or of any interest in other property comprised in the same settlement shall be left out of account.

[^{F13}(2A) Where the interest mentioned in subsection (1) or (2) above is one to which the person became beneficially entitled on or after 22nd March 2006, that subsection applies in relation to the coming to an end of the interest only if the interest is—

- (a) an immediate post-death interest,
- (b) a disabled person's interest, or
- (c) a transitional serial interest,

[^{F14}or falls within section 5(1B) above.]]

- (3) Where a transaction is made between the trustees of the settlement and a person who is, or is connected with,—
 - (a) the person beneficially entitled to an interest in the property, or
 - (b) a person beneficially entitled to any other interest in that property or to any interest in any other property comprised in the settlement, or
 - (c) a person for whose benefit any of the settled property may be applied,
 and, as a result of the transaction, the value of the first-mentioned property is less than it would be but for the transaction, a corresponding part of the interest shall be deemed for the purposes of this section to come to an end, unless the transaction is such that, were the trustees beneficially entitled to the settled property, it would not be a transfer of value.

[^{F15}(3A) Where the interest mentioned in paragraph (a) of subsection (3) above is one to which the person mentioned in that paragraph became beneficially entitled on or after 22nd March 2006, that subsection applies in relation to the transaction only if the interest is—

- (a) an immediate post-death interest,
- (b) a disabled person's interest, or
- (c) a transitional serial interest,

[^{F14}or falls within section 5(1B) above.]]

- (4) References in this section or section 53 below to any property or to an interest in any property include references to part of any property or interest; and—
 - (a) the tax chargeable under this section on the coming to an end of part of an interest shall be charged as if the value of the property (or part) in which the interest subsisted were a corresponding part of the whole; and

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- (b) if the value of the property (or part) to which or to an interest in which a person becomes entitled as mentioned in subsection (2) of section 53 below is less than the value on which tax would be chargeable apart from that subsection, tax shall be chargeable on a value equal to the difference.

Textual Amendments

- F13** S. 52(2A) inserted (22.3.2006) by [Finance Act 2006 \(c. 25\)](#), s. 156, Sch. 20 paras. 7, **13(2)**
- F14** Words in s. 52(2A)(3A) inserted (with effect as mentioned in s. 53(10) of the amending Act) by [Finance Act 2010 \(c. 13\)](#), s. 53(4)(c)
- F15** S. 52(3A) inserted (22.3.2006) by [Finance Act 2006 \(c. 25\)](#), s. 156, Sch. 20 paras. 7, **13(3)**

53 Exceptions from charge under section 52.

- (1) Tax shall not be chargeable under section 52 above if the settled property is excluded property.
- [^{F16}(1A) Tax shall not be chargeable under section 52 above if—
- (a) the person whose interest comes to an end became beneficially entitled to the interest before 22nd March 2006,
 - (b) the interest comes to an end on or after that day, and
 - (c) immediately before the interest comes to an end, section 71A or 71D below applies to the property in which the interest subsists.]
- (2) Tax shall not be chargeable under section 52 above (except in the case mentioned in subsection (4)(b) of that section) if the person whose interest in the property comes to an end becomes on the same occasion beneficially entitled to the property or to another interest in possession in the property.
- [^{F17}[^{F18}(2A) Subsection (2) above applies by virtue of the person becoming beneficially entitled on or after 12 March 2008 to another interest in possession in the property only if that other interest is—
- (a) a disabled person's interest, or
 - (b) a transitional serial interest;
- and that is the case irrespective of whether the person's beneficial entitlement to the interest in possession in the property which comes to an end is one which began before, or on or after, 22 March 2006.]]
- (3) Tax shall not be chargeable under section 52 above if the interest comes to an end during the settlor's life and on the same occasion the property in which the interest subsisted reverts to the settlor.
- (4) Tax shall not be chargeable under section 52 above if on the occasion when the interest comes to an end—
- (a) the settlor's spouse [^{F19}or civil partner], or
 - (b) where the settlor has died less than two years earlier, the settlor's widow or widower [^{F20}or surviving civil partner],
- becomes beneficially entitled to the settled property and is domiciled in the United Kingdom.
- (5) Subsections (3) and (4) above shall not apply in any case where—

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- (a) the settlor or the spouse [^{F21}or civil partner] (or in a case within subsection (4)(b), the widow or widower [^{F22}or surviving civil partner]) of the settlor had acquired a reversionary interest in the property for a consideration in money or money's worth, or
 - (b) their application depends upon a reversionary interest having been transferred into a settlement on or after 10th March 1981.
- (6) For the purposes of subsection (5) above a person shall be treated as acquiring an interest for a consideration in money or money's worth if he becomes entitled to it as a result of transactions which include a disposition for such consideration (whether to him or another) of that interest or of other property.
- (7) Where the acquisition of the interest was before 12th April 1978, subsection (5)(a) above shall have effect, so far as it relates to subsection (3) above, with the omission of the reference to the spouse [^{F23}or civil partner] of the settlor.
- (8) Subsection (6) above shall not apply where the person concerned became entitled to the interest before 12th April 1978.

Textual Amendments

- F16** S. 53(1A) inserted (22.3.2006) by Finance Act 2006 (c. 25), s. 156, Sch. 20 paras. 7, **14(2)**
- F17** S. 53(2A) inserted (22.3.2006) by Finance Act 2006 (c. 25), s. 156, Sch. 20 paras. 7, **14(3)**
- F18** S. 53(2A) substituted (retrospective to 22.3.2006) by Finance Act 2008 (c. 9), s. **140(1)(2)**
- F19** Words in s. 53(4)(a) inserted (5.12.2005) by The Tax and Civil Partnership Regulations 2005 (S.I. 2005/3229), regs. 1(1), **13(2)(a)**
- F20** Words in s. 53(4)(b) inserted (5.12.2005) by The Tax and Civil Partnership Regulations 2005 (S.I. 2005/3229), regs. 1(1), **13(2)(b)**
- F21** Words in s. 53(5)(a) inserted (5.12.2005) by The Tax and Civil Partnership Regulations 2005 (S.I. 2005/3229), regs. 1(1), **13(3)(a)**
- F22** Words in s. 53(5)(a) inserted (5.12.2005) by The Tax and Civil Partnership Regulations 2005 (S.I. 2005/3229), regs. 1(1), **13(3)(b)**
- F23** Words in s. 53(7) inserted (5.12.2005) by The Tax and Civil Partnership Regulations 2005 (S.I. 2005/3229), regs. 1(1), **13(4)**

54 Exceptions from charge on death

- (1) Where a person is entitled to an interest in possession in settled property which on his death, but during the settlor's life, reverts to the settlor, the value of the settled property shall be left out of account in determining for the purposes of this Act the value of the deceased's estate immediately before his death.
- (2) Where on the death of a person entitled to an interest in possession in settled property—
- (a) the settlor's spouse [^{F24}or civil partner], or
 - (b) if the settlor has died less than two years earlier, the settlor's widow or widower [^{F25}or surviving civil partner],
- becomes beneficially entitled to the settled property and is domiciled in the United Kingdom, the value of the settled property shall be left out of account in determining for the purposes of this Act the value of the deceased's estate immediately before his death.

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- [^{F26}(2A) Where a person becomes beneficially entitled on or after 22nd March 2006 to an interest in possession in settled property, subsections (1) and (2) above apply in relation to the interest only if it is—
- (a) a disabled person's interest, or
 - (b) a transitional serial interest.
- (2B) Where—
- (a) a person (“B”) becomes beneficially entitled on or after 22nd March 2006 to an interest in possession in settled property,
 - (b) B dies,
 - (c) the interest in possession, throughout the period beginning with when B becomes beneficially entitled to it and ending with B's death, is an immediate post-death interest,
 - (d) the settlor died before B's death but less than two years earlier, and
 - (e) on B's death, the settlor's widow or widower, or surviving civil partner, becomes beneficially entitled to the settled property and is domiciled in the United Kingdom,
- the value of the settled property shall be left out of account in determining for the purposes of this Act the value of B's estate immediately before his death.]
- (3) Subsections (5) and (6) of section 53 above shall apply in relation to subsections [^{F27}(1), (2) and (2B)] above as they apply in relation to section 53(3) and (4) [^{F28}, but as if the reference in section 53(5)(a) above to section 53(4)(b) above were to subsection (2)(b) or (2B) above.] .
- (4) 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.

Textual Amendments

- F24** Words in s. 54(2)(a) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **14(a)**
- F25** Words in s. 54(2)(b) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **14(b)**
- F26** S. 54(2A)(2B) inserted (22.3.2006) by [Finance Act 2006 \(c. 25\)](#), s. 156, Sch. 20 paras 7, **15(2)**
- F27** Words in s. 54(3) substituted (22.3.2006) by [Finance Act 2006 \(c. 25\)](#), s. 156, Sch. 20 paras. 7, **15(3)(a)**
- F28** Words in s. 54(3) added (22.3.2006) by [Finance Act 2006 \(c. 25\)](#), s. 156, Sch. 20 paras. 7, **15(3)(b)**

[^{F29} 54A Special rate of charge where settled property affected by potentially exempt transfer.

- (1) If the circumstances fall within subsection (2) below, this section applies to any chargeable transfer made—
- (a) under section 52 above, on the coming to an end of an interest in possession in settled property during the life of the person beneficially entitled to it, or
 - (b) on the death of a person beneficially entitled to an interest in possession in settled property;

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and in the following provisions of this section the interest in possession mentioned in paragraph (a) or paragraph (b) above is referred to as “the relevant interest”.

^{F30}(1A) [Where a person becomes beneficially entitled on or after 22nd March 2006 to an interest in possession in settled property, subsection (1)(b) above applies in relation to the person's death only if the interest is—

- (a) a disabled person's interest, or
- (b) a transitional serial interest.]

(2) The circumstances referred to in subsection (1) above are—

- (a) that the whole or part of the value transferred by the transfer is attributable to property in which the relevant interest subsisted and which became settled property in which there subsisted an interest in possession (whether the relevant interest or any previous interest) on the making by the settlor of a potentially exempt transfer at any time on or after 17th March 1987 and within the period of seven years ending with the date of the chargeable transfer; and
- (b) that the settlor is alive at the time when the relevant interest comes to an end; and
- (c) that, on the coming to an end of the relevant interest, any of the property in which that interest subsisted becomes settled property in which no qualifying interest in possession (as defined in section 59 below) subsists^{F31} . . . ; and
- (d) that, within six months of the coming to an end of the relevant interest, any of the property in which that interest subsisted has neither—
 - (i) become settled property in which a qualifying interest in possession subsists^{F31} . . . , nor
 - (ii) become property to which an individual is beneficially entitled.

(3) In the following provisions of this section “the special rate property”, in relation to a chargeable transfer to which this section applies, means the property in which the relevant interest subsisted or, in a case where—

- (a) any part of that property does not fall within subsection (2)(a) above, or
- (b) any part of that property does not become settled property of the kind mentioned in subsection (2)(c) above,

so much of that property as appears to the Board or, on appeal, to the [^{F32}tribunal] to be just and reasonable.

(4) Where this section applies to a chargeable transfer (in this section referred to as “the relevant transfer”), the tax chargeable on the value transferred by the transfer shall be whichever is the greater of the tax that would have been chargeable apart from this section and the tax determined in accordance with subsection (5) below.

(5) The tax determined in accordance with this subsection is the aggregate of—

- (a) the tax that would be chargeable on a chargeable transfer of the description specified in subsection (6) below, and
- (b) so much (if any) of the tax that would, apart from this section, have been chargeable on the value transferred by the relevant transfer as is attributable to the value of property other than the special rate property.

(6) The chargeable transfer postulated in subsection (5)(a) above is one—

- (a) the value transferred by which is equal to the value transferred by the relevant transfer or, where only part of that value is attributable to the special rate property, that part of that value;

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- (b) which is made at the time of the relevant transfer by a transferor who has in the preceding seven years made chargeable transfers having an aggregate value equal to the aggregate of the values transferred by any chargeable transfers made by the settlor in the period of seven years ending with the date of the potentially exempt transfer; and
- (c) for which the applicable rate or rates are one-half of the rate or rates referred to in section 7(1) above.

(7) This section has effect subject to section 54B below.]

Textual Amendments

- F29** Finance Act 1987 (No. 2) Sch. 7 para. 1, with effect from 17 March 1987.
- F30** S. 54(1A) inserted (22.3.2006) by Finance Act 2006 (c. 25), s. 156, Sch. 20 paras. 7, **16(2)**
- F31** Words in s. 54A(2)(c)(d)(i) repealed (22.3.2006 with effect as mentioned in Sch. 20 para. 16(4) of the amending Act) by Finance Act 2006 (c. 25), ss. 156, 160, **Sch. 20 para. 16(3)(a)(b)**, {Sch. 26 Pt. 6 Note 1}
- F32** Word in s. 54A(3) substituted (1.4.2009) by The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 (S.I. 2009/56), art. 3(1), **Sch. 1 para. 110**

Modifications etc. (not altering text)

- C2** S. 54A modified (22.3.2006) by Finance Act 2006 (c. 25), s. 156, **Sch. 20 para. 2(4)(6)**
- C3** S. 54A modified (22.3.2006) by Finance Act 2006 (c. 25), s. 156, Sch. 20 paras. 7, **20(4)**

[^{F33} 54B Provisions supplementary to section 54A.

- (1) The death of the settlor, at any time after a chargeable transfer to which section 54A above applies, shall not increase the tax chargeable on the value transferred by the transfer unless, at the time of the transfer, the tax determined in accordance with subsection (5) of that section is greater than the tax that would be chargeable apart from that section.
- (2) The death of the person who was beneficially entitled to the relevant interest, at any time after a chargeable transfer to which section 54A above applies, shall not increase the tax chargeable on the value transferred by the transfer unless, at the time of the transfer, the tax that would be chargeable apart from that section is greater than the tax determined in accordance with subsection (5) of that section.
- (3) Where the tax chargeable on the value transferred by a chargeable transfer to which section 54A above applies falls to be determined in accordance with subsection (5) of that section, the amount referred to in paragraph (a) of that subsection shall be treated for the purposes of this Act as tax attributable to the value of the property in which the relevant interest subsisted.
- (4) Subsection (5) below shall apply if—
 - (a) during the period of seven years preceding the date on which a chargeable transfer to which section 54A above applies (“the current transfer”) is made, there has been another chargeable transfer to which that section applied, and
 - (b) the person who is for the purposes of the current transfer the settlor mentioned in subsection (2)(a) of that section is the settlor for the purposes of the other transfer (whether or not the settlements are the same);

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and in subsections (5) and (6) below the other transfer is referred to as the “previous transfer”.

- (5) Where this subsection applies, the appropriate amount in relation to the previous transfer (or, if there has been more than one previous transfer, the aggregate of the appropriate amounts in relation to each) shall, for the purposes of calculating the tax chargeable on the current transfer, be taken to be the value transferred by a chargeable transfer made by the settlor immediately before the potentially exempt transfer was made.
- (6) In subsection (5) above “the appropriate amount”, in relation to a previous transfer, means so much of the value transferred by the previous transfer as was attributable to the value of property which was the special rate property in relation to that transfer.
- (7) In this section—
- “the relevant interest” has the meaning given by subsection (1) of section 54A above; and
- “the special rate property” has the meaning given by subsection (3) of that section.]

Textual Amendments

F33 Finance Act 1987 (No. 2) Sch. 7 para. 1, with effect from 17 March 1987.

[^{F34}**55A Purchased settlement powers**

- (1) Where a person makes a disposition by which he acquires a settlement power for consideration in money or money’s worth—
- section 10(1) above shall not apply to the disposition;
 - the person shall be taken for the purposes of this Act to make a transfer of value;
 - the value transferred shall be determined without bringing into account the value of anything which the person acquires by the disposition; and
 - sections 18 and 23 to 27 above shall not apply in relation to that transfer of value.
- (2) For the purposes of this section, a person acquires a settlement power if he becomes entitled—
- to a settlement power,
 - to exercise, or to secure or prevent the exercise of, a settlement power (whether directly or indirectly), or
 - to restrict, or secure a restriction on, the exercise of a settlement power (whether directly or indirectly),

as a result of transactions which include a disposition (whether to him or another) of a settlement power or of any power of a kind described in paragraph (b) or (c) above which is exercisable in relation to a settlement power.]

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Textual Amendments

F34 S. 55A inserted (24.7.2002 with effect as mentioned in s. 119(6) of the amending Act) by 2002 c. 23, s. 119(3)(6)

56 Exclusion of certain exemptions.

- (1) Sections 18 and 23 to 27 above shall not apply in relation to property which is given in consideration of the transfer of a reversionary interest if, by virtue of section 55(1) above, that interest does not form part of the estate of the person acquiring it.
- (2) Where a person acquires a reversionary interest in any settled property for a consideration in money or money's worth, section 18 above shall not apply in relation to the property when it becomes the property of that person on the termination of the interest on which the reversionary interest is expectant.
- (3) Sections 23 to 27 above shall not apply in relation to any property if—
 - (a) the property is an interest in possession in settled property and the settlement does not come to an end in relation to that settled property on the making of the transfer of value, or
 - (b) immediately before the time when it becomes the property of the exempt body it is comprised in a settlement and, at or before that time, an interest under the settlement is or has been acquired for a consideration in money or money's worth by that or another exempt body.
- (4) In subsection (3)(b) above "exempt body" means a charity, political party or other body within sections 23 [^{F36}to 25] above or the trustees of a settlement in relation to which a direction under paragraph 1 of Schedule 4 to this Act has effect; and for the purposes of subsection (3)(b) there shall be disregarded any acquisition from a charity, political party or body within sections 23 to 25.
- (5) For the purposes of subsections (2) and (3) above, a person shall be treated as acquiring an interest for a consideration in money or money's worth if he becomes entitled to it as a result of transactions which include a disposition [^{F37}for such consideration] (whether to him or another) of that interest or of other property.
- (6) Nothing in this section shall apply to a transfer of value if or to the extent that it is a disposition whereby the use of money or other property is allowed by one person to another.
- (7) Subsection (2) above shall not apply where the acquisition of the reversionary interest was before 16th April 1976; and where the acquisition was on or after that date but before 12th April 1978 that subsection shall have effect—
 - (a) with the substitution for the words "section 18 above" of the words "sections 18 and 23 [^{F36}to 25] above", and
 - (b) with the insertion after the word "person" in both places where it occurs of the words "or body".
- (8) Subsection (3)(b) above shall not apply where the acquisition of the interest was before 12th April 1978; and subsection (5) above shall not apply where the person concerned became entitled to the interest before that date.

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Textual Amendments

- F36** Words in s. 56(4)(7) substituted (31.7.1998 with effect in relation to any property becoming the property of any person on or after 17.3.1998) by 1998 c. 36, s. 143(3)
- F37** Finance Act 1987 (No. 2) Sch. 7, para. 2, with effect from 17 March 1987.

57 Application of certain exemptions.

- (1) Subject to subsection (3) below, references to transfers of value in sections 19 and 22 above shall be construed as including references to events on the happening of which tax is chargeable under section 52 above, and references to the transferor and (in section 22(3) and (4)) to a disposition shall be construed accordingly.
- (2) For the purposes of its application, by virtue of subsection (1) above, to the termination of interests in possession in settled property, section 22 above shall have effect as if—
 - (a) references to transfers of value made by gifts in consideration of marriage [^{F38}or civil partnership] were references to the termination of such interests in consideration of marriage [^{F38}or civil partnership];
 - (b) references to outright gifts were references to cases where the property ceases on the termination to be settled property; and
 - (c) references to cases where the property is settled by the gift were references to cases where it remains settled property after the termination.
- (3) Subsection (1) above shall not apply to a transfer of value—
 - (a) unless the transferor has in accordance with subsection (4) below given to the trustees of the settlement a notice informing them of the availability of an exemption, and
 - (b) except to the extent specified in that notice.
- (4) A notice under subsection (3) above shall be in such form as may be prescribed by the Board and shall be given before the end of the period of six months beginning with the date of the transfer of value.
- (5) Section 27 above shall apply where the value transferred by a transfer of value is attributable to property which immediately after the transfer remains comprised in a settlement as it applies where property becomes comprised in a settlement by virtue of the transfer.

Textual Amendments

- F38** Words in s. 57(2)(a) inserted (5.12.2005) by The Tax and Civil Partnership Regulations 2005 (S.I. 2005/3229), regs. 1(1), 15

[^{F39}57A Relief where property enters maintenance fund.

- (1) Subject to the following provisions, subsection (2) below applies where—
 - (a) a person dies who immediately before his death was beneficially entitled to an interest in possession in property comprised in a settlement, and
 - (b) within two years after his death the property becomes held on trusts (whether of that or another settlement) by virtue of which a direction under paragraph 1 of Schedule 4 to this Act is given in respect of the property.

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- [Where the interest mentioned in subsection (1)(a) above is one to which the person^{F40}(1A) became beneficially entitled on or after 22nd March 2006, subsection (2) below does not apply unless, immediately before the person's death, the interest was—
- (a) an immediate post-death interest,
 - (b) a disabled person's interest, or
 - (c) a transitional serial interest,
- [^{F41}or fell within section 5(1B) above.]]
- (2) Where this subsection applies, this Act shall have effect as if the property had on the death of the deceased become subject to the trusts referred to in subsection (1)(b) above; and accordingly no disposition or other event occurring between the date of the death and the date on which the property becomes subject to those trusts shall, so far as it relates to the property, be a transfer of value or otherwise constitute an occasion for a charge to tax.
 - (3) Where property becomes held on trusts of the kind specified in paragraph (b) of subsection (1) above as the result of proceedings before a court and could not have become so held without such proceedings, that paragraph shall have effect as if it referred to three years instead of two.
 - (4) Subsection (2) above shall not apply if—
 - (a) the disposition by which the property becomes held on the trusts referred to in subsection (1)(b) above depends on a condition or is defeasible; or
 - (b) the property which becomes held on those trusts is itself an interest in settled property; or
 - (c) the trustees who hold the property on those trusts have, for a consideration in money or money's worth, acquired an interest under a settlement in which the property was comprised immediately before the death of the person referred to in subsection (1)(a) above or at any time thereafter; or
 - (d) the property which becomes held on those trusts does so for a consideration in money or money's worth, or is acquired by the trustees for such a consideration, or has at any time since the death of the person referred to in subsection (1)(a) above been acquired by any other person for such a consideration.
 - (5) If the value of the property when it becomes held on the trusts referred to in subsection (1)(b) above is lower than so much of the value transferred on the death of the person referred to in subsection (1)(a) as is attributable to the property, subsection (2) above shall apply to the property only to the extent of the lower value.
 - (6) For the purposes of this section, a person shall be treated as acquiring property for a consideration in money or money's worth if he becomes entitled to it as a result of transactions which include a disposition for such consideration (whether to him or another) of that or other property.^{F39}]]

Textual Amendments

F39 Finance Act 1987 Sch. 9, para. 1, *in relation to deaths occurring on or after 17 March 1987.*

F40 *S. 57A(1A) inserted (22.3.2006) by Finance Act 2006 (c. 25), s. 156, Sch. 20 paras. 7, 17*

F41 Words in *s. 57A(1A)* inserted (with effect as mentioned in *s. 53(10)* of the amending Act) by *Finance Act 2010 (c. 13), s. 53(5)*

Status:

Point in time view as at 10/06/2021.

Changes to legislation:

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