



Inheritance Tax Act 1984

1984 CHAPTER 51

PART VI

VALUATION

CHAPTER IV

SALE OF LAND FROM DECEASED'S ESTATE

190 Preliminary.

(1) In this Chapter—

“the appropriate person”, in relation to any interest in land comprised in a person's estate immediately before his death, means the person liable for [F¹ inheritance tax] attributable to the value of that interest or, if there is more than one such person and one of them is in fact paying the tax, that person;

“interest in land” does not include any estate, interest or right by way of mortgage or other security;

“sale price”, in relation to any interest in land, means the price for which it is sold or, if greater, the best consideration that could reasonably have been obtained for it at the time of the sale;

“sale value”, in relation to any interest in land, means its sale price as increased or reduced under the following provisions of this Chapter;

“value on death”, in relation to any interest in land comprised in a person's estate immediately before his death, means the value which, apart from this Chapter, (and apart from section 176 above) would be its value as part of that estate for the purposes of this Act.

(2) Any reference in this Chapter to the interests to which a claim relates is a reference to the interests to which section 191(1) below applies by virtue of the claim.

(3) For the purposes of this Chapter—

(a) the personal representatives of the deceased, and

Status: Point in time view as at 18/11/2015.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 IV. (See end of Document for details)

(b) the trustees of a settlement,
shall each be treated as a single and continuing body of persons (distinct from the persons who may from time to time be the personal representatives or trustees).

- (4) In any case where, for the purposes of this Chapter, it is necessary to determine the price at which any interest was purchased or sold or the best consideration that could reasonably have been obtained on the sale of any interest, no account shall be taken of expenses (whether by way of commission, stamp duty [^{F2}or stamp duty land tax] or otherwise) which are incidental to the sale or purchase.

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.

F2 Words in s. 190(4) inserted (10.7.2003) by Finance Act 2003 (c. 14), s. 123, Sch. 18 para. 2

191 The relief.

- (1) Where—

- (a) an interest in land is comprised in a person's estate immediately before his death and is sold by the appropriate person within the period of three years immediately following the date of the death, and
(b) the appropriate person makes a claim under this Chapter stating the capacity in which he makes it,

the value for the purposes of this Act of that interest and of any other interest in land comprised in that estate and sold within that period by the person making the claim acting in the same capacity shall, subject to the following provisions of this Chapter, be its sale value.

[^{F3}(1A) A claim under this Chapter must be made not more than 4 years after the end of the period mentioned in subsection (1)(a).]

- (2) Subsection (1) above shall not apply to an interest if its sale value would differ from its value on death by less than the lower of—

- (a) £1,000, and
(b) 5 per cent of its value on death.

- (3) Subsection (1) above shall not apply to an interest if its sale is—

- (a) a sale by a personal representative or trustee to—
(i) a person who, at any time between the death and the sale, has been beneficially entitled to, or to an interest in possession in, property comprising the interest sold, or
(ii) the spouse [^{F4}or civil partner] or a child or remoter descendant of a person within sub-paragraph (i) above, or
(iii) trustees of a settlement under which a person within sub-paragraph (i) or (ii) above has an interest in possession in property comprising the interest sold; or
(b) a sale in connection with which the vendor or any person within sub-paragraph (i), (ii) or (iii) of paragraph (a) above obtains a right to acquire the interest sold or any other interest in the same land;

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 IV. (See end of Document for details)

and for the purposes of this subsection a person shall be treated as having in the property comprised in an unadministered estate (within the meaning of section 91(2) above) the same interest as he would have if the administration of the estate had been completed.

Textual Amendments

- F3** S. 191(1A) inserted (1.4.2011) by Finance Act 2009 (c. 10), s. 99, **Sch. 51 para. 10**; S.I. 2010/867, **art. 2(2)**
- F4** Words in s. 191(3)(a)(ii) inserted (5.12.2005) by The Tax and Civil Partnership Regulations 2005 (S.I. 2005/3229), regs. 1(1), **35**

192 Effect of purchases.

- (1) This section applies where a claim is made under this Chapter and, at any time during the period beginning on the date of the death and ending four months after the last of the sales referred to in section 191(1) above, the person making the claim purchases any interests in land in the same capacity as that in which he makes the claim.
- (2) If the aggregate of the purchase prices of all the interests purchased as mentioned in subsection (1) above equals or exceeds the aggregate of the sale prices (as adjusted under sections 193 to 195 below) of all the interests to which the claim relates, this Chapter shall not apply in relation to the claim; but otherwise subsection (3) below shall have effect, and in that subsection “the appropriate fraction” means the fraction of which—
 - (a) the numerator is the aggregate of the said purchase prices, and
 - (b) the denominator is the aggregate of the said sale prices.
- (3) Subject to subsection (4) below, where this subsection has effect an addition shall be made to the sale price of every interest to which the claim relates; and the amount of the addition shall be equal to the appropriate fraction of the difference between the value on death of the interest and its sale price (as adjusted under sections 193 to 196 below).
- (4) Where the value on death of an interest is less than its sale price (as adjusted under sections 193 to 196 below) subsection (3) above shall apply as if it provided for a reduction instead of an increase in the sale price.

193 Changes between death and sale.

- (1) Where the conditions mentioned in subsection (2) below are not satisfied in relation to any interest to which the claim relates then, subject to subsections (3) and (4) below, an addition shall be made to the sale price of the interest; and the amount of the addition shall be equal to the difference between—
 - (a) the value on death of the interest, and
 - (b) what that value would have been if the circumstances prevailing at the date of the sale and by reason of which the conditions are not satisfied had prevailed immediately before the death.
- (2) The conditions referred to in subsection (1) above are—
 - (a) that the interest was the same in all respects and with the same incidents at the date of the death and at the date of the sale; and

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 IV. (See end of Document for details)

- (b) that the land in which the interest subsists was in the same state and with the same incidents at the date of the death and at the date of the sale.
- (3) If after the date of the death but before the date of the sale compensation becomes payable under any enactment to the appropriate person or any other person liable for tax attributable to the value of the interest—
- (a) because of the imposition of a restriction on the use or development of the land in which the interest subsists, or
- (b) because the value of the interest is reduced for any other reason,
- the imposition of the restriction or the other cause of the reduction in value shall be ignored for the purposes of subsections (1) and (2) above, but there shall be added to the sale price of the interest an amount equal to the amount of compensation.
- (4) Where the value on death of an interest is less than it would have been as mentioned in subsection (1) above, that subsection shall apply as if, instead of providing for an addition to be made to the sale price, it provided for that price to be reduced to what it would have been if the change in circumstances by reason of which the conditions mentioned in subsection (2) above are not satisfied had not occurred.

194 Leases.

- (1) Where the claim relates to an interest which is the interest of a lessee under a lease the duration of which at the date of the death does not exceed fifty years, an addition shall be made to the sale price of the interest; and the amount of the addition shall be equal to the appropriate fraction of the value on death of the interest.
- (2) In subsection (1) above, “the appropriate fraction” means the fraction—

$$\frac{P(1) - P(2)}{P(1)}$$

where—

P(1) is the percentage that would be derived from the Table in paragraph 1 of Schedule ^{F58} to the 1992 Act] for the duration of the lease at the date of the death, and

P(2) is the percentage that would be so derived for the duration of the lease at the date of the sale.

Textual Amendments

- F5** Words in s. 194 substituted (6.3.1992 with effects as mentioned in s. 289(1)(2) of the substituting Act) by [Taxation of Chargeable Gains Act 1992 \(c. 12\)](#), ss. 289, 290, [Sch. 10 para. 8\(11\)](#) (with ss. 60, 101(1), 201(3)).

195 Valuation by reference to other interests.

If in determining the value on death of any interest to which the claim relates, any other interests, whether in the same or other land, were taken into account, an addition shall be made to the sale price of the interest; and the amount of the addition shall be

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 IV. (See end of Document for details)

equal to the difference between the value on death of the interest and the value which would have been the value on death if no other interests had been taken into account.

196 Sales to beneficiaries etc. and exchanges.

- (1) This section applies where a person who makes a claim under this Chapter, acting in the same capacity as that in which he makes the claim—
- (a) sells an interest to which section 191(1) would apply but for section 191(3), or
 - (b) within the period of three years immediately following the date of the death exchanges (with or without any payment by way of equality of exchange) any interest in land which was comprised in the deceased's estate immediately before his death.

and the sale price of the interest, or in the case of an exchange its market value at the date of the exchange, exceeds its value on death.

- (2) Where this section applies, an addition shall be made to the sale price of any interest to which the claim relates; and the amount of the addition—
- (a) if the claim relates to one interest only, shall be equal to the excess referred to in subsection (1) above, and
 - (b) if the claim relates to more than one interest, shall be equal to the appropriate fraction of that excess.
- (3) In subsection (2) above “the appropriate fraction” in relation to any interest to which the claim relates is the fraction of which—
- (a) the numerator is the difference between the value on death of that interest and its sale price (as adjusted under sections 193 to 195 above) and
 - (b) the denominator is the aggregate of that difference and the corresponding differences for all the other interests to which the claim relates;

and the aggregate referred to in paragraph (b) above shall be calculated without regard to which is the greater, in the case of any particular interest, of its value on death and its sale price.

197 Compulsory acquisition more than three years after death.

- (1) If after the end of the period of three years immediately following the date of the death an interest in land is acquired from the appropriate person in pursuance of a notice to treat served before the death or within that period by an authority possessing powers of compulsory acquisition, this Chapter shall apply in relation to the interest as it applies in relation to interests sold within that period.
- (2) Subsection (1) above shall not have effect in relation to an interest if its sale value would exceed its value on death.
- (3) In determining the period referred to in section 192(1) above, no account shall be taken of the sale of an interest in relation to which subsection (1) above has effect; and if the claim relates only to such interests, section 192 shall not apply in relation to the claim.

[^{F6}197A Sales in fourth year after death.

- (1) Where an interest in land—
- (a) is comprised in a person's estate immediately before his death, and

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 IV. (See end of Document for details)

- (b) is sold by the appropriate person in the fourth year immediately following the date of the death, otherwise than in circumstances in which section 197(1) above has effect,
- the interest shall be treated, for the purposes of section 191(1) above, as having been sold within the period of three years immediately following the date of the death.
- (2) Subsection (1) above shall not have effect in relation to an interest if its sale value would exceed its value on death.
- (3) In determining the period referred to in section 192(1) above, no account shall be taken of the sale of an interest in relation to which subsection (1) above has effect; and if the claim relates only to such interests, section 192 shall not apply in relation to the claim.
- (4) In applying section 196(1) above, no account shall be taken, for the purposes of paragraph (a) of that subsection, of an interest in relation to which subsection (1) above has effect.]

Textual Amendments

- F6** S. 197A inserted (27.7.1993: the inserting section having effect in relation to deaths occurring on or after 16.3.1990) by 1993 c. 34, s. 199(1)(2).

198 Date of sale or purchase.

- (1) Subject to the following subsections, the date on which an interest in land is sold or purchased by the appropriate person shall for the purposes of this Chapter be taken to be the date on which he enters into a contract to sell or purchase it.
- (2) If the sale or purchase of any interest by the appropriate person results from the exercise (whether by him or by any other person) of an option granted not more than six months earlier, the date on which the interest is sold or purchased shall be taken to be the date on which the option was granted.
- (3) If an interest is acquired from the appropriate person in pursuance of a notice to treat served by an authority possessing powers of compulsory acquisition, the date on which the interest is sold shall, subject to subsection (4) below, be taken to be the date on which compensation for the acquisition is agreed or otherwise determined (variations on appeal being disregarded for this purpose) or, if earlier, the date when the authority enter on the land in pursuance of their powers.
- (4) If an interest in land is acquired from the appropriate person—
- (a) in England, Scotland or Wales by virtue of a general vesting declaration within the meaning of the ^{M1}Compulsory Purchase (Vesting Declarations) Act 1981 or, in Scotland, Schedule 24 to the ^{M2}Town and Country Planning (Scotland) Act 1972, or
- (b) in Northern Ireland, by way of a vesting order,
- the date on which it is sold by the appropriate person shall be taken to be the last day of the period specified in the declaration or, in Northern Ireland, the date on which the vesting order becomes operative.

Marginal Citations

- M1** 1981 c. 66.

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 IV. (See end of Document for details)*

M2 1972 c. 52.

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 IV.