

Status: Point in time view as at 10/06/2021.

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

SCHEDULE 4

MAINTENANCE FUNDS FOR HISTORIC BUILDINGS, ETC.

Modifications etc. (not altering text)

- C1** By Finance Act 1985 s. 95, *the functions of the Treasury were transferred to the Commissioners of Inland Revenue (“the Board”).*

PART II

PROPERTY LEAVING MAINTENANCE FUNDS

Charge to tax

- 8 (1) This paragraph applies to settled property which is held on trusts which comply with the requirements mentioned in paragraph 3(1) above, and in respect of which a direction given under paragraph 1 above has effect.
- (2) Subject to paragraphs 9 and 10 below, there shall be a charge to tax under this paragraph—
- (a) where settled property ceases to be property to which this paragraph applies, otherwise than by virtue of an application of the kind mentioned in paragraph 3(1)(a)(i) or (ii) above or by devolving on any such body or charity as is mentioned in paragraph 3(1)(a)(ii);
 - (b) in a case in which paragraph (a) above does not apply, where the trustees make a disposition (otherwise than by such an application) as a result of which the value of settled property to which this paragraph applies is less than it would be but for the disposition.
- (3) Subsections (4), (5) and (10) of section 70 of this Act shall apply for the purposes of this paragraph as they apply for the purposes of that section (with the substitution of a reference to sub-paragraph (2)(b) above for the reference in section 70(4) to section 70(2)(b)).
- (4) The rate at which tax is charged under this paragraph shall be determined in accordance with paragraphs 11 to 15 below.
- (5) The devolution of property on a body or charity shall not be free from charge by virtue of sub-paragraph (2)(a) above if, at or before the time of devolution, an interest under the settlement in which the property was comprised immediately before the devolution is or has been acquired for a consideration in money or money’s worth by that or another such body or charity; but for the purposes of this sub-paragraph any acquisition from another such body or charity shall be disregarded.
- (6) For the purposes of sub-paragraph (5) above a body or charity shall be treated as acquiring an interest for a consideration in money or money’s worth if it becomes entitled to the interest as a result of transactions which include a disposition for such consideration (whether to that body or charity or to another person) of that interest or of other property.

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Exceptions from charge

- 9 (1) Tax shall not be charged under paragraph 8 above in respect of property which, within the permitted period after the occasion on which tax would be chargeable under that paragraph, becomes comprised in another settlement as a result of a transfer of value which is exempt under section 27 of this Act.
- (2) In sub-paragraph (1) above “the permitted period” means the period of thirty days except in a case where the occasion referred to is the death of the settlor, and in such a case means the period of two years.
- (3) Sub-paragraph (1) above shall not apply to any property if the person who makes the transfer of value has acquired it for a consideration in money or money’s worth; and for the purposes of this sub-paragraph a person shall be treated as acquiring any property for such consideration 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.
- (4) If the amount on which tax would be charged apart from sub-paragraph (1) above in respect of any property exceeds the value of the property immediately after it becomes comprised in the other settlement (less the amount of any consideration for its transfer received by the person who makes the transfer of value), that sub-paragraph shall not apply but the amount on which tax is charged shall be equal to the excess.
- (5) The reference in sub-paragraph (4) above to the amount on which tax would be charged is a reference to the amount on which it would be charged apart from—
- (a) section 70(5)(b) of this Act (as applied by paragraph 8(3) above), and
 - (b) Chapters I and II of Part V of this Act;
- and the reference in that sub-paragraph to the amount on which tax is charged is a reference to the amount on which it would be charged apart from section 70(5)(b) and those Chapters.
- 10 (1) Tax shall not be charged under paragraph 8 above in respect of property which ceases to be property to which that paragraph applies on becoming—
- (a) property to which the settlor or his spouse [^{F1}or civil partner] is beneficially entitled, or
 - (b) property to which the settlor’s widow or widower [^{F2}or surviving civil partner] is beneficially entitled if the settlor has died in the two years preceding the time when it becomes such property.
- (2) If the amount on which tax would be charged apart from sub-paragraph (1) above in respect of any property exceeds the value of the property immediately after it becomes property of a description specified in paragraph (a) or (b) of that sub-paragraph (less the amount of any consideration for its transfer received by the trustees), that sub-paragraph shall not apply but the amount on which tax is charged shall be equal to the excess.
- (3) The reference in sub-paragraph (2) above to the amount on which tax would be charged is a reference to the amount on which it would be charged apart from—
- (a) section 70(5)(b) of this Act (as applied by paragraph 8(3) above), and
 - (b) Chapters I and II of Part V of this Act;

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and the reference in sub-paragraph (2) above to the amount on which tax is charged is a reference to the amount on which it would be charged apart from section 70(5) (b) and those Chapters.

- (4) Sub-paragraph (1) above shall not apply in relation to any property if, at or before the time when it becomes property of a description specified in paragraph (a) or (b) of that sub-paragraph, an interest under the settlement in which the property was comprised immediately before it ceased to be property to which paragraph 8 above applies is or has been acquired for a consideration in money or money's worth by the person who becomes beneficially entitled.
- (5) For the purposes of sub-paragraph (4) above a person shall be treated as acquiring an interest for a consideration in money or money's worth if he becomes entitled to the interest as a result of transactions which include a disposition for such consideration (whether to him or to another person) of that interest or of other property.
- (6) Sub-paragraph (1) above shall not apply in respect of property if it was relevant property before it became (or last became) property to which paragraph 8 above applies and, by virtue of paragraph 16(1) or 17(1) below, tax was not chargeable (or, but for paragraph 16(2) or 17(4), would not have been chargeable) under section 65 of this Act in respect of its ceasing to be relevant property before becoming (or last becoming) property to which paragraph 8 above applies.
- (7) Sub-paragraph (1) above shall not apply in respect of property if—
 - (a) before it last became property to which paragraph 8 above applies it was comprised in another settlement in which it was property to which that paragraph applies, and
 - (b) it ceased to be comprised in the other settlement and last became property to which that paragraph applies in circumstances such that by virtue of paragraph 9(1) above there was no charge (or, but for paragraph 9(4), there would have been no charge) to tax in respect of it.
- (8) Sub-paragraph (1) above shall not apply unless the person who becomes beneficially entitled to the property is domiciled in the United Kingdom at the time when he becomes so entitled.

Textual Amendments

- F1** Words in Sch. 4 para. 10(1)(a) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **39(2)(a)**
- F2** Words in Sch. 4 para. 10(1)(b) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **39(2)(b)**

Rates of charge

- 11 (1) This paragraph applies where tax is chargeable under paragraph 8 above and—
- (a) the property in respect of which the tax is chargeable was relevant property before it became (or last became) property to which that paragraph applies, and
 - (b) by virtue of paragraph 16(1) or 17(1) below tax was not chargeable (or, but for paragraph 16(2) or 17(4), would not have been chargeable) under section 65 of this Act in respect of its ceasing to be relevant property on or

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before becoming (or last becoming) property to which paragraph 8 above applies.

- (2) Where this paragraph applies, the rate at which the tax is charged shall be the aggregate of the following percentages—
- (a) 0.25 per cent. for each of the first forty complete successive quarters in the relevant period,
 - (b) 0.20 per cent. for each of the next forty,
 - (c) 0.15 per cent. for each of the next forty,
 - (d) 0.10 per cent. for each of the next forty, and
 - (e) 0.05 per cent. for each of the next forty.
- (3) In sub-paragraph (2) above “the relevant period” means the period beginning with the latest of—
- (a) the date of the last ten-year anniversary of the settlement in which the property was comprised before it ceased (or last ceased) to be relevant property,
 - (b) the day on which the property became (or last became) relevant property before it ceased (or last ceased) to be such property, and
 - (c) 13th March 1975,
- and ending with the day before the event giving rise to the charge.
- (4) Where the property in respect of which the tax is chargeable has at any time ceased to be and again become property to which paragraph 8 above applies in circumstances such that by virtue of paragraph 9(1) above there was no charge to tax in respect of it (or, but for paragraph 9(4), there would have been no charge), it shall for the purposes of this paragraph be treated as having been property to which paragraph 8 above applies throughout the period mentioned in paragraph 9(1).
- 12 (1) This paragraph applies where tax is chargeable under paragraph 8 above and paragraph 11 above does not apply.
- (2) Where this paragraph applies, the rate at which the tax is charged shall be the higher of—
- (a) the first rate (as determined in accordance with paragraph 13 below), and
 - (b) the second rate (as determined in accordance with paragraph 14 below).
- 13 (1) The first rate is the aggregate of the following percentages—
- (a) 0.25 per cent. for each of the first forty complete successive quarters in the relevant period,
 - (b) 0.20 per cent. for each of the next forty,
 - (c) 0.15 per cent. for each of the next forty,
 - (d) 0.10 per cent. for each of the next forty, and
 - (e) 0.05 per cent. for each of the next forty.
- (2) In sub-paragraph (1) above “the relevant period” means the period beginning with the day on which the property in respect of which the tax is chargeable became (or first became) property to which paragraph 8 above applies, and ending with the day before the event giving rise to the charge.
- (3) For the purposes of sub-paragraph (2) above, any occasion on which property became property to which paragraph 8 above applies, and which occurred before an occasion of charge to tax under that paragraph in respect of the property, shall be disregarded.

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- (4) The reference in sub-paragraph (3) above to an occasion of charge to tax under paragraph 8 does not include a reference to—
- (a) the occasion by reference to which the rate is being determined in accordance with this Schedule, or
 - (b) an occasion which would not be an occasion of charge but for paragraph 9(4) above.
- 14 (1) If the settlor is alive, the second rate is the effective rate at which tax would be charged, on the amount on which it is chargeable, [^{F3}in accordance with the appropriate provision of section 7 of this Act] if the amount were the value transferred by a chargeable transfer made by him on the occasion on which the tax becomes chargeable.
- [^{F4}(1A) The rate or rates of tax determined under sub-paragraph (1) above in respect of any occasion shall not be affected by the death of the settlor after that occasion.]
- (2) If the settlor is dead, the second rate is (subject to sub-paragraph (3) below) the effective rate at which tax would have been charged, on the amount on which it is chargeable, [^{F3}in accordance with the appropriate provision of section 7 of this Act] if the amount had been added to the value transferred on his death and had formed the highest part of it.
- (3) If the settlor died before 13th March 1975, the second rate is the effective rate at which tax would have been charged, on the amount on which it is chargeable (“the chargeable amount”), [^{F3}in accordance with the appropriate provision of section 7 of this Act] if the settlor had died when the event occasioning the charge under paragraph 8 above occurred, the value transferred on his death had been equal to the amount on which estate duty was chargeable when he in fact died, and the chargeable amount had been added to that value and had formed the highest part of it.
- [^{F5}(2A) In determining for the purposes of sub-paragraph (2) the effective rate or rates at which tax would have been charged on the amount in accordance with section 7(1), the effect of Schedule 1A (if it would have applied) is to be disregarded.]
- (4) Where, in the case of a settlement (“the current settlement”), tax is chargeable under paragraph 8 above in respect of property which—
- (a) was previously comprised in another settlement, and
 - (b) ceased to be comprised in that settlement and became comprised in the current settlement in circumstances such that by virtue of paragraph 9(1) above was no charge (or, but for paragraph 9(4), there would have been no charge) to tax in respect of it,
- then, subject to sub-paragraph (5) below, references in sub-paragraphs (1) to (3) above to the settlor shall be construed as references to the person who was the settlor in relation to the settlement mentioned in paragraph (a) above (or, if the Board so determine, the person who was the settlor in relation to the current settlement).
- (5) Where, in the case of a settlement (“the current settlement”), tax is chargeable under paragraph 8 above in respect of property which—
- (a) was previously comprised at different times in other settlements (“the previous settlements”), and
 - (b) ceased to be comprised in each of them, and became comprised in another of them or in the current settlement, in circumstances such that by virtue of

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paragraph 9(1) above there was no charge (or, but for paragraph 9(4), there would have been no charge) to tax in respect of it,

references in sub-paragraphs (1) to (3) above to the settlor shall be construed as references to the person who was the settlor in relation to the previous settlement in which the property was first comprised (or, if the Board so determine, any person selected by them who was the settlor in relation to any of the other previous settlements or the current settlement).

(6) Sub-paragraph (7) below shall apply if—

- (a) in the period of [^{F6}seven years] preceding a charge under paragraph 8 above (the “current charge”), there has been another charge under that paragraph where tax was charged at the second rate, and
- (b) the person who is the settlor for the purposes of the current charge is the settlor for the purposes of the other charge (whether or not the settlements are the same and, if the settlor is dead, whether or not he has died since the other charge);

and in sub-paragraph (7) below the other charge is referred to as the “previous charge”.

(7) Where this sub-paragraph applies, the amount on which tax was charged on the previous charge (or, if there have been more than one, the aggregate of the amounts on which tax was charged on each)—

- (a) shall, for the purposes of calculating the rate of the current charge under sub-paragraph (1) above, be taken to be the value transferred by a chargeable transfer made by the settlor immediately before the occasion of the current charge, and
- (b) shall, for the purposes of calculating the rate of the current charge under sub-paragraph (2) or (3) above, be taken to increase the value there mentioned by an amount equal to that amount (or aggregate).

(8) References in sub-paragraphs (1) to (3) above to the effective rate are to the rate found by expressing the tax chargeable as a percentage of the amount on which it is charged.

[^{F7}(9) For the purposes of sub-paragraph (1) above the appropriate provision of section 7 of this Act is subsection (2), and for the purposes of sub-paragraphs (2) and (3) above it is (if the settlement was made on death) subsection (1) and (if not) subsection (2).]

Textual Amendments

- F3** Finance Act 1986 Sch. 19, para. 38(1), *with effect from 18 March 1986. Originally* “under the appropriate Table”.
- F4** Finance Act 1986 Sch. 19, para. 38(2), *with effect from 18 March 1986.*
- F5** Sch. 4 para. 14(2A) inserted (with effect in accordance with Sch. 33 para. 10(1) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 33 para. 8](#)
- F6** Finance Act 1986 Sch. 19, para. 38(3), *with effect from 18 March 1986. Originally* “ten years”.
- F7** Finance Act 1986 Sch. 19, para. 38(4), *with effect from 18 March 1986. Originally* “(9) For the purposes of sub-paragraph (1) above the appropriate Table is the second Table in Schedule 1 to this Act, and for the purposes of sub-paragraphs (2) and (3) above it is (if the settlement was made on death) the first Table in that Schedule and (if not) the second.”

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- 15 Where property is, by virtue of paragraph 1(3) above, treated as property in respect of which a direction has been given under paragraph 1, it shall for the purposes of paragraphs 11 to 14 above be treated as having become property to which paragraph 8 above applies when the transfer of value mentioned in paragraph 1(3) was made.

[^{F8} Maintenance fund following interest in possession

Textual Amendments

F8 Finance Act 1987 Sch. 9, para. 3, where the occasion of the charge or potential charge to tax under para. 8 above falls on or after 17 March 1987.

- 15A (1) In relation to settled property to which this paragraph applies, the provisions of this Part of this Schedule shall have effect with the modifications set out in the following sub-paragraphs.
- (2) This paragraph applies to property which became property to which paragraph 8 above applies on the occasion of a transfer of value which was made by a person beneficially entitled to an interest in possession in the property, and which (so far as the value transferred by it was attributable to the property)—
- (a) was an exempt transfer by virtue of the combined effect of either—
- (i) sections 27 and 57(5) of this Act, or
- (ii) sections 27 and 57A of this Act, and
- (b) would but for those sections have been a chargeable transfer;
- and in the following sub-paragraphs “the person entitled to the interest in possession” means the person above referred to.
- (3) Paragraph 9(2) shall have effect as if for the reference to the settlor there were substituted a reference to either the settlor or the person entitled to the interest in possession.
- (4) Paragraph 10 shall not apply if the person entitled to the interest in possession had died at or before the time when the property became property to which paragraph 8 above applies; and in any other case shall have effect with the substitution in sub-paragraph (1) of the following words for the words from “on becoming” onwards—
- “(a) on becoming property to which the person entitled to the interest in possession is beneficially entitled, or
- (b) on becoming—
- (i) property to which that person’s spouse [^{F9}or civil partner] is beneficially entitled, or
- (ii) property to which that person’s widow or widower [^{F10}or surviving civil partner] is beneficially entitled if that person has died in the two years preceding the time when it becomes such property;
- but paragraph (b) above applies only where the [^{F11}spouse or civil partner, or widow or widower or surviving civil partner,] would have become beneficially entitled to the property on the termination of the interest in possession had the property not then become property to which paragraph 8 above applies.”
- (5) Paragraph 11 shall not apply.

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- (6) Sub-paragraphs (1) to (3) of paragraph 14 shall have effect as if for the references to the settlor there were substituted references to the person entitled to the interest in possession.
- (7) Sub-paragraph (4) of paragraph 14 shall have effect with the insertion after paragraph (b) of the words “and
(c) was, in relation to either of those settlements, property to which paragraph 15A below applied,”
and with the substitution for the words from “settlor shall” onwards of the words “person entitled to the interest in possession shall, if the Board so determine, be construed as references to the person who was the settlor in relation to the current settlement.”
- (8) Sub-paragraph (5) of paragraph 14 shall have effect with the insertion after paragraph (b) of the words “and
(c) was, in relation to any of those settlements, property to which paragraph 15A below applied,”
and with the substitution for the words from “settlor shall” onwards of the words “person entitled to the interest in possession shall, if the Board so determine, be construed as references to any person selected by them who was the settlor in relation to any of the previous settlements or the current settlement.”
- (9) Except in a case where the Board have made a determination under sub-paragraph (4) or (5) of paragraph 14, sub-paragraphs (6) and (7) of that paragraph shall have effect as if for the references to the settlor there were substituted references to the person entitled to the interest in possession.
- (10) Sub-paragraph (9) of paragraph 14 shall have effect with the substitution for the words “(if the settlement was made on death)” of the words “(if the person entitled to the interest in possession had died at or before the time when the property became property to which paragraph 8 above applies)”.]

Textual Amendments

- F9** Words in Sch. 4 para. 15A(4) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **39(3)(a)**
- F10** Words in Sch. 4 para. 15A(4) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **39(3)(b)**
- F11** Words in Sch. 4 para. 15A(4) substituted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **39(3)(c)**

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