

Status: Point in time view as at 24/05/2024.

Changes to legislation: There are currently no known outstanding effects for the Inheritance Tax Act 1984, PART 1. (See end of Document for details)

[^{F1}SCHEDULE A1

NON-EXCLUDED OVERSEAS PROPERTY

Textual Amendments

- F1** Sch. A1 inserted (with effect in accordance with Sch. 10 para. 9 of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **Sch. 10 para. 1** (with Sch. 10 para. 9(2))

PART 1

OVERSEAS PROPERTY WITH VALUE ATTRIBUTABLE TO UK RESIDENTIAL PROPERTY

Introductory

- 1 Property is not excluded property by virtue of section 6(1) or 48(3)(a) if and to the extent that paragraph 2 or 3 applies to it.

Close company and partnership interests

- 2 (1) This paragraph applies to an interest in a close company or in a partnership, if and to the extent that the interest meets the condition in sub-paragraph (2).
- (2) The condition is that the value of the interest is—
- (a) directly attributable to a UK residential property interest, or
 - (b) attributable to a UK residential property interest by virtue only of one or more of the following—
 - (i) an interest in a close company;
 - (ii) an interest in a partnership;
 - (iii) property to which paragraph 3 (loans) applies.
- (3) For the purposes of sub-paragraphs (1) and (2) disregard—
- (a) an interest in a close company, if the value of the interest is less than 5% of the total value of all the interests in the close company;
 - (b) an interest in a partnership, if the value of the interest is less than 5% of the total value of all the interests in the partnership.
- (4) In determining under sub-paragraph (3) whether to disregard a person's interest in a close company or partnership, treat the value of the person's interest as increased by the value of any connected person's interest in the close company or partnership.
- (5) In determining whether or to what extent the value of an interest in a close company or in a partnership is attributable to a UK residential property interest for the purposes of sub-paragraph (1), liabilities of a close company or partnership are to be attributed rateably to all of its property, whether or not they would otherwise be attributed to any particular property.

Loans

- 3 This paragraph applies to—

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- (a) the rights of a creditor in respect of a loan which is a relevant loan (see paragraph 4), and
 - (b) money or money's worth held or otherwise made available as security, collateral or guarantee for a loan which is a relevant loan, to the extent that it does not exceed the value of the relevant loan.
- 4 (1) For the purposes of this Schedule a loan is a relevant loan if and to the extent that money or money's worth made available under the loan is used to finance, directly or indirectly—
- (a) the acquisition by an individual, a partnership or the trustees of a settlement of—
 - (i) a UK residential property interest, or
 - (ii) property to which paragraph 2 to any extent applies, or
 - (b) the acquisition by an individual, a partnership or the trustees of a settlement of an interest in a close company or a partnership (“the intermediary”) and the acquisition by the intermediary of property within paragraph (a)(i) or (ii).
- (2) In this paragraph references to money or money's worth made available under a loan or sale proceeds being used “indirectly” to finance the acquisition of something include the money or money's worth or sale proceeds being used to finance—
- (a) the acquisition of any property the proceeds of sale of which are used directly or indirectly to finance the acquisition of that thing, or
 - (b) the making, or repayment, of a loan to finance the acquisition of that thing.
- (3) In this paragraph references to the acquisition of a UK residential property interest by an individual, a partnership, the trustees of a settlement or a close company include the maintenance, or an enhancement, of the value of a UK residential property interest which is (as the case may be) the property of the individual, property comprised in the settlement or property of the partnership or close company.
- (4) Where the UK residential property interest by virtue of which a loan is a relevant loan is disposed of, the loan ceases to be a relevant loan.
- (5) Where a proportion of the UK residential property interest by virtue of which a loan is a relevant loan is disposed of, the loan ceases to be a relevant loan by the same proportion.
- (6) In this Schedule, references to a loan include an acknowledgment of debt by a person or any other arrangement under which a debt arises; and in such a case references to money or money's worth made available under the loan are to the amount of the debt.]

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