



Inheritance Tax Act 1984

1984 CHAPTER 51

PART I

GENERAL

Dispositions that are not transfers of value

13 Dispositions by close companies for benefit of employees.

- (1) A disposition of property made to trustees by a close company whereby the property is to be held on trusts of the description specified in section 86(1) below is not a transfer of value if the persons for whose benefit the trusts permit the property to be applied include all or most of either—
 - (a) the persons employed by or holding office with the company, or
 - (b) the persons employed by or holding office with the company or any one or more subsidiaries of the company.
- (2) Subsection (1) above shall not apply if the trusts permit any of the 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 making the disposition, 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 this section would have been a transfer of value, or
 - (c) any other person who has been a participator in any such company as is mentioned in paragraph (a) or (b) above at any time after, or during the ten years before, the disposition made by that company, or
 - (d) any person who is connected with any person within paragraph (a), (b) or (c) above.
- (3) The participators in a company who are referred to in subsection (2) above do not include any participator who—

Status: Point in time view as at 06/04/2003. This version of this provision has been superseded.

Changes to legislation: There are currently no known outstanding effects for the Inheritance Tax Act 1984, Section 13. (See end of Document for details)

- (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
 - (b) on a winding-up of the company would not be entitled to 5 per cent. or more of its assets.
- (4) In determining whether the trusts permit property to be applied as mentioned in subsection (2) above, no account shall be taken—
- (a) 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, or
 - (b) if the trusts are those of a profit sharing scheme approved under [^{F1}Schedule 9 to the ^{M1}Taxes Act 1988], of any power to appropriate shares in pursuance of the scheme [^{F2}; or].
 - [^{F2}(c) if the trusts are those of [^{F3}a share incentive plan approved under Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003] , of any power to appropriate shares to, or acquire shares on behalf of, individuals under the plan.]
- (5) In this section—

“close company” and “participator” have the same meanings as in Part IV of this Act;

“ordinary shares” means shares which carry either—

- (a) a right to dividends not restricted to dividends at a fixed rate, or
- (b) a right to conversion into shares carrying such a right as is mentioned in paragraph (a) above,

“subsidiary” has [^{F4}the meaning given by section 736 of] the [^{F5M2}Companies Act 1985];

and references in subsections (2) and (3) above to a participator in a company shall, in the case of a company which is not a close company, be construed as references to a person who would be a participator in the company if it were a close company.

Textual Amendments

- F1** *Substituted by* Income and Corporation Taxes Act 1988 (c. 1, SIF 63:1), Sch. 29, para. 32. *Originally* “the Finance Act 1978”.
- F2** *S. 13(4)(c) and the word “or” immediately preceding it inserted (28.7.2000) by* 2000 c. 17, s. 138(2)
- F3** Words in s. 13(4)(c) substituted (with effect as mentioned in s. 723(1)(a)(b) (subject to Sch. 7) of the amending Act) by *Income Tax (Earnings and Pensions) Act 2003 (c. 1), ss. 722, 723(1), Sch. 6 para. 151(1)(a)(2)*
- F4** Companies Act 1989 s. 144(4) and Sch. 18 para. 30(2), *with effect from the appointed day—on and after 1 November 1990 (S.I. 1990 No. 1392). Originally* “the same meaning as in”.
- F5** *Companies Consolidation (Consequential Provisions) Act 1985 (c. 9, SIF 27), Sch. 2, with effect from 1 July 1985. Originally* “Companies Act 1948”.

Marginal Citations

- M1** 1988 c. 1.
- M2** 1985 c. 6.

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