



Inheritance Tax Act 1984

1984 CHAPTER 51

PART III

SETTLED PROPERTY

CHAPTER II

INTERESTS IN POSSESSION AND REVERSIONARY INTERESTS

[^{F1}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;

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”.

(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

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- interest in possession (as defined in section 59 below) subsists, other than property to which section 71 below applies; 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 or to which section 71 below applies, 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 Special Commissioners 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;
 - (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

F1 [Finance Act 1987 \(No. 2\)](#) Sch. 7 para. 1, with effect from 17 March 1987.

Modifications etc. (not altering text)

C1 [S. 54A](#) modified (22.3.2006) by [Finance Act 2006 \(c. 25\)](#), s. 156, [Sch. 20 para. 2\(4\)\(6\)](#)

C2 [S. 54A](#) modified (22.3.2006) by [Finance Act 2006 \(c. 25\)](#), s. 156, [Sch. 20 paras. 7, 20\(4\)](#)

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