



Inheritance Tax Act 1984

1984 CHAPTER 51

PART I

GENERAL

Rates

[^{F1}8FE Calculation of lost relievable amount

- (1) This section is about how to calculate the person's lost relievable amount for the purposes of sections 8FA(8) and 8FB(7).
- (2) For the purposes of this section and section 8FA(5), the value of the person's qualifying former residential interest is the value of the interest at the time of completion of the disposal of the interest.
- (3) In this section, the person's "former allowance" is the total of—
 - (a) the residential enhancement at the time of completion of the disposal of the qualifying former residential interest,
 - (b) any brought-forward allowance that the person would have had if the person had died at that time, having regard to the circumstances of the person at that time (see section 8G as applied by subsection (4)), and
 - (c) if the person's allowance on death includes an amount of brought-forward allowance which is greater than the amount of brought-forward allowance given by paragraph (b), the difference between those two amounts.
- (4) For the purposes of calculating any brought-forward allowance that the person ("P") would have had as mentioned in subsection (3)(b)—
 - (a) section 8G (brought-forward allowance) applies, but as if references to the residential enhancement at P's death were references to the residential enhancement at the time of completion of the disposal of the qualifying former residential interest, and

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- (b) assume that a claim for brought-forward allowance was made in relation to an amount available for carry-forward from a related person's death if, on P's death, a claim was in fact made in relation to the amount.
- (5) For the purposes of subsection (3)(c), where the person's allowance on death is equal to the person's adjusted allowance, the amount of brought-forward allowance included in the person's allowance on death is calculated as follows.
- Step 1* Express the person's brought-forward allowance as a percentage of the person's default allowance.
- Step 2* Multiply—
- $E - TT^2$
- by the percentage given by step 1.
- Step 3* Reduce the person's brought-forward allowance by the amount given by step 2.
- The result is the amount of brought-forward allowance included in the person's allowance on death.
- (6) If completion of the disposal of the qualifying former residential interest occurs before 6 April 2017—
- (a) for the purposes of subsection (3)(a), the residential enhancement at the time of completion of the disposal is treated as being £100,000, and
- (b) for the purposes of subsection (3)(b), the amount of brought-forward allowance that the person would have had at that time is treated as being nil.
- (7) In this section, the person's “allowance on death” means—
- (a) where E is less than or equal to TT, the person's default allowance, or
- (b) where E is greater than TT, the person's adjusted allowance.
- (8) For the purposes of this section, “completion” of the disposal of a residential property interest occurs at the time of the disposal or, if the disposal is under a contract which is completed by a conveyance, at the time when the interest is conveyed.
- (9) Where, as a result of section 8FA, there is entitlement to a downsizing addition in calculating the person's residence nil-rate amount, take the following steps to calculate the person's lost relievable amount.
- Step 1* Express the value of the person's qualifying former residential interest as a percentage of the person's former allowance, but take that percentage to be 100% if it would otherwise be higher.
- Step 2* Express QRI as a percentage of the person's allowance on death, where QRI is so much of [^{F2}the value transferred by the transfer of value under section 4 on the person's death] as is attributable to the person's qualifying residential interest, but take that percentage to be 100% if it would otherwise be higher.
- Step 3* Subtract the percentage given by step 2 from the percentage given by step 1, but take the result to be 0% if it would otherwise be negative. The result is P%.
- Step 4* The person's lost relievable amount is equal to P% of the person's allowance on death.
- (10) Where, as a result of section 8FB, there is entitlement to a downsizing addition in calculating the person's residence nil-rate amount, take the following steps to calculate the person's lost relievable amount.

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Step 1 Express the value of the person's qualifying former residential interest as a percentage of the person's former allowance, but take that percentage to be 100% if it would otherwise be higher.

Step 2 Calculate that percentage of the person's allowance on death. The result is the person's lost relievable amount.]

Textual Amendments

- F1** Ss. 8FA-8FE inserted (15.9.2016) by [Finance Act 2016 \(c. 24\)](#), [Sch. 15 para. 5](#)
- F2** Words in [s. 8FE\(9\)](#) substituted (with application in accordance with s. 66(6) of the amending Act) by [Finance Act 2019 \(c. 1\)](#), [s. 66\(3\)](#)

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