



# Taxation of Chargeable Gains Act 1992

## 1992 CHAPTER 12

### PART III

INDIVIDUALS, PARTNERSHIPS, TRUSTS AND COLLECTIVE INVESTMENT SCHEMES

### CHAPTER II

SETTLEMENTS

#### *General provisions*

#### **72 Termination of life interest on death of person entitled**

- (1) On the termination, on the death of the person entitled to it, of a life interest in possession in all or any part of settled property—
- (a) the whole or a corresponding part of each of the assets forming part of the settled property and not ceasing at that time to be settled property shall be deemed for the purposes of this Act at that time to be disposed of and immediately reacquired by the trustee for a consideration equal to the whole or a corresponding part of the market value of the asset; but
  - (b) no chargeable gain shall accrue on that disposal.

For the purposes of this subsection a life interest which is a right to part of the income of settled property shall be treated as a life interest in a corresponding part of the settled property.

- (2) Subsection (1) above shall apply where the person entitled to a life interest in possession in all or any part of settled property dies (although the interest does not then terminate) as it applies on the termination of such a life interest.
- (3) In this section “life interest” in relation to a settlement—

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*Status: This is the original version (as it was originally enacted).*

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- (a) includes a right under the settlement to the income of, or the use or occupation of, settled property for the life of a person other than the person entitled to the right, or for lives,
  - (b) does not include any right which is contingent on the exercise of the discretion of the trustee or the discretion of some other person, and
  - (c) subject to subsection (4) below, does not include an annuity, notwithstanding that the annuity is payable out of or charged on settled property or the income of settled property.
- (4) In this section the expression “life interest” shall include entitlement to an annuity created by the settlement if—
- (a) some or all of the settled property is appropriated by the trustees as a fund out of which the annuity is payable, and
  - (b) there is no right of recourse to settled property not so appropriated, or to the income of settled property not so appropriated;
- and, without prejudice to subsection (5) below, the settled property so appropriated shall, while the annuity is payable, and on the occasion of the death of the annuitant, be treated for the purposes of this section as being settled property under a separate settlement.
- (5) If there is a life interest in a part of the settled property and, where that is a life interest in income, there is no right of recourse to, or to the income of, the remainder of the settled property, the part of the settled property in which the life interest subsists shall while it subsists be treated for the purposes of this section as being settled property under a separate settlement.