



Finance Act 1996

1996 CHAPTER 8

PART V

INHERITANCE TAX

183 Rate bands.

- (1) For the Table in Schedule 1 to the ^{M1}Inheritance Tax Act 1984 there shall be substituted—

“TABLE OF RATES OF TAX			
Portion of value		Rate of tax	
Lower limit	Upper limit	Per cent.	
£		£	
0	200,000		Nil
200,000			40”

- (2) Subsection (1) above shall apply to any chargeable transfer made on or after 6th April 1996; and section 8 of that Act (indexation of rate bands) shall not have effect as respects any difference between the retail prices index for the month of September 1994 and that for the month of September 1995.

Marginal Citations

M1 1984 c. 51.

184 Business property relief.

- (1) The Inheritance Tax Act 1984 shall be amended as follows.

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Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, Part V. (See end of Document for details)

- (2) In section 105(1) (relevant business property for the purposes of business property relief)—
- (a) in paragraph (b) (unquoted shares and securities attracting 100 per cent. relief where they gave the transferor control of a company)—
 - (i) the words “ shares in or ” shall be omitted; and
 - (ii) for the words “shares or securities owned by the transferor” there shall be substituted “ securities owned by the transferor and any unquoted shares so owned ”;
 - (b) for paragraph (bb) (unquoted shares attracting 100 per cent. relief in other cases) there shall be substituted the following paragraph—
 - “(bb) any unquoted shares in a company;”
- and
- (c) paragraph (c) (unquoted shares attracting 50 per cent. relief) shall be omitted.
- (3) In section 107(4) (replacement of property with unquoted shares), for the words from the beginning to “such shares” there shall be substituted—
- “(4) Without prejudice to subsection (1) above, where any shares falling within section 105(1)(bb) above which are”.
- (4) In section 113A(3A)(b) (which contains a reference to shares and securities falling within paragraph (b) of section 105(1)), after “(b)” there shall be inserted “ or (bb) ”.
- (5) For the removal of any doubt, the following subsection shall be inserted in section 113A (provisions applying to business property relief where there is a transfer within seven years of death) after subsection (7)—
- “(7A) The provisions of this Chapter for the reduction of value transferred shall be disregarded in any determination for the purposes of this section of whether there is a potentially exempt or chargeable transfer in any case.”
- (6) This section—
- (a) so far as it inserts a new subsection (7A) in section 113A, has effect in relation to any transfer of value on or after 28th November 1995; and
 - (b) so far as it makes any other provision, has effect—
 - (i) in relation to any transfer of value on or after 6th April 1996, and
 - (ii) for the purposes of any charge to tax by reason of an event occurring on or after 6th April 1996, in relation to transfers of value before that date.

185 Agricultural property relief.

- (1) Chapter II of Part V of the ^{M2}Inheritance Tax Act 1984 (agricultural property) shall be amended as follows.
- (2) In section 116 (relief for transfers of agricultural property) after subsection (5) there shall be inserted—
- “(5A) Where, in consequence of the death on or after 1st September 1995 of the tenant or, as the case may be, the last surviving tenant of any property, the tenancy—

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- (a) becomes vested in a person, as a result of his being a person beneficially entitled under the deceased tenant's will or other testamentary writing or on his intestacy, and
- (b) is or becomes binding on the landlord and that person as landlord and tenant respectively,

subsection (2)(c) above shall have effect as if the tenancy so vested had been a tenancy beginning on the date of the death.

(5B) Where in consequence of the death on or after 1st September 1995 of the tenant or, as the case may be, the last surviving tenant of any property, a tenancy of the property or of any property comprising the whole or part of it—

- (a) is obtained by a person under or by virtue of an enactment, or
- (b) is granted to a person in circumstances such that he is already entitled under or by virtue of an enactment to obtain such a tenancy, but one which takes effect on a later date, or
- (c) is granted to a person who is or has become the only or only remaining applicant, or the only or only remaining person eligible to apply, under a particular enactment for such a tenancy in the particular case,

subsection (2)(c) above shall have effect as if the tenancy so obtained or granted had been a tenancy beginning on the date of the death.

(5C) Subsection (5B) above does not apply in relation to property situate in Scotland.

(5D) If, in a case where the transferor dies on or after 1st September 1995,—

- (a) the tenant of any property has, before the death, given notice of intention to retire in favour of a new tenant, and
- (b) the tenant's retirement in favour of the new tenant takes place after the death but not more than thirty months after the giving of the notice,

subsection (2)(c) above shall have effect as if the tenancy granted or assigned to the new tenant had been a tenancy beginning immediately before the transfer of value which the transferor is treated by section 4(1) above as making immediately before his death.

(5E) In subsection (5D) above and this subsection—

“the new tenant” means—

- (a) the person or persons identified in a notice of intention to retire in favour of a new tenant as the person or persons who it is desired should become the tenant of the property to which that notice relates; or
- (b) the survivor or survivors of the persons so identified, whether alone or with any other person or persons;

“notice of intention to retire in favour of a new tenant” means, in the case of any property, a notice or other written intimation given to the landlord by the tenant, or (in the case of a joint tenancy or tenancy in common) all of the tenants, of the property indicating, in whatever terms, his or their wish that one or more persons identified in the notice or intimation should become the tenant of the property;

“the retiring tenant's tenancy” means the tenancy of the person or persons giving the notice of intention to retire in favour of a new tenant;

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“the tenant’s retirement in favour of the new tenant” means—

- (a) the assignment, or (in Scotland) assignation, of the retiring tenant’s tenancy to the new tenant in circumstances such that the tenancy is or becomes binding on the landlord and the new tenant as landlord and tenant respectively; or
- (b) the grant of a tenancy of the property which is the subject of the retiring tenant’s tenancy, or of any property comprising the whole or part of that property, to the new tenant and the acceptance of that tenancy by him;

and, except in Scotland, “grant” and “acceptance” in paragraph (b) above respectively include the deemed grant, and the deemed acceptance, of a tenancy under or by virtue of any enactment.”

- (3) In consequence of subsection (2) above, subsection (2A) of that section (which made, in relation to Scotland, provision which is superseded by the subsection (5A) inserted by subsection (2) above) shall cease to have effect.
- (4) For the removal of any doubt, the following subsection shall be inserted in section 124A (provisions applying to agricultural property relief where there is a transfer within seven years of death) after subsection (7)—

“(7A) The provisions of this Chapter for the reduction of value transferred shall be disregarded in any determination for the purposes of this section of whether there is a potentially exempt or chargeable transfer in any case.”

- (5) Subsection (2) above—
 - (a) so far as relating to subsections (5A) to (5C) of section 116 of the ^{M3}Inheritance Tax Act 1984, has effect in any case where the death of the tenant or, as the case may be, the sole surviving tenant, occurs on or after 1st September 1995; and
 - (b) so far as relating to subsections (5D) and (5E) of that section, has effect in any case where the death of the transferor occurs on or after 1st September 1995.
- (6) Subsection (3) above has effect in any case where the death of the tenant or, as the case may be, the sole surviving tenant, occurs on or after 1st September 1995.
- (7) Subsection (4) above has effect in relation to any transfer of value on or after 28th November 1995.

Marginal Citations

M2 1984 c. 51.

M3 1984 c. 51.

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