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**Changes to legislation:** There are currently no known outstanding effects for the Finance Act 2006, Cross Heading: Sub-fund settlements. (See end of Document for details)

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## SCHEDULES

### SCHEDULE 12

#### SETTLEMENTS: AMENDMENT OF TCGA 1992 ETC

#### PART 3

#### CONSEQUENTIAL AND MINOR AMENDMENTS

##### *Sub-fund settlements*

- 42 After section 73(1) of TCGA 1992 (death of life tenant: exclusion of chargeable gain) insert—
- “(1A) Subsection (1)(b) above shall be treated as having effect in relation to a sub-fund settlement if the property does not revert to the trustees of the principal settlement in relation to that sub-fund settlement by reason only that—
- (a) a sub-fund election is or has been made in respect of another sub-fund of the principal settlement, and
  - (b) the property becomes comprised in that other sub-fund settlement on the death of the person entitled to the interest in possession.”
- 43 In section 286(3) of TCGA 1992 (connected persons: trustees)—
- (a) omit “and” at the end of paragraph (b), and
  - (b) after paragraph (c) insert—
    - “(d) if the settlement is the principal settlement in relation to one or more sub-fund settlements, the trustees of the sub-fund settlements, and
    - (e) if the settlement is a sub-fund settlement in relation to a principal settlement, the trustees of any other sub-fund settlements in relation to the principal settlement.”
- 44 (1) At the beginning of Schedule 1 to TCGA 1992 (trustees: exempt amount, etc) insert—
- “A1 (1) In determining the exempt amount available to the trustees of a settlement in relation to a year of assessment—
- (a) a principal settlement and its sub-fund settlements shall be treated, for the purposes of paragraphs 1 and 2 below, as if no sub-fund elections had been made, and
  - (b) paragraph 3 below shall apply for the purposes of determining the exempt amount available to each member of the class consisting of a principal settlement and its sub-fund settlements.
- (2) The reference in sub-paragraph (1) above to a principal settlement and its sub-fund settlements means a principal settlement in respect of which one or more sub-fund elections are treated as having taken effect.”

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(2) After paragraph 2 of Schedule 1 to TCGA 1992 insert—

“3 (1) The exempt amount available in relation to a year of assessment to the trustees of each settlement in the class consisting of a principal settlement and its sub-fund settlements shall be the exempt amount available to the trustees of the principal settlement in relation to the year, determined in accordance with paragraph 1 or 2 above as if no sub-fund elections had been made.

(2) But if there are two or more non-excluded settlements in the class consisting of a principal settlement and its sub-fund settlements, the exempt amount available to the trustees of each settlement in the class in relation to the year shall be the amount specified in sub-paragraph (1) above divided by the number of non-excluded settlements in the class.

(3) In this paragraph—

“excluded settlement” has the meaning given by paragraph 2(7) above, and

references to a settlement having sub-fund settlements, and similar expressions, are references to a settlement being the principal settlement in respect of which one or more sub-fund elections are treated as having taken effect.”

45 Paragraphs 42 to 44 shall have effect in relation to years of assessment beginning on or after 6th April 2006.

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