
Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006, Cross
Heading: Life assurance policies entered into before 22nd March 2006. (See end of Document for details)

SCHEDULES

SCHEDULE 20

INHERITANCE TAX: RULES FOR TRUSTS ETC

PART 3

RELATED AMENDMENTS IN IHTA 1984

Life assurance policies entered into before 22nd March 2006

11 (1) After section 46 of IHTA 1984 insert—

“46A Contract of life insurance entered into before 22nd March 2006 which on that day is settled property in which interest in possession subsists

- (1) Subsections (2) and (4) below apply where—
- (a) a settlement commenced before 22nd March 2006,
 - (b) a contract of life insurance was entered into before that day,
 - (c) a premium payable under the contract is paid, or an allowed variation is made to the contract, at a particular time on or after that day,
 - (d) immediately before that day, and at all subsequent times up to the particular time, there were rights under the contract that—
 - (i) were comprised in the settlement, and
 - (ii) were settled property in which a transitionally-protected interest (whether or not the same such interest throughout that period) subsisted,
 - (e) rights under the contract become, by reference to payment of the premium or as a result of the variation,—
 - (i) comprised in the settlement, and
 - (ii) part of the settled property in which the then-current transitionally-protected interest subsists, and
 - (f) any variation of the contract on or after 22nd March 2006 but before the particular time, so far as it is a variation that—
 - (i) increased the benefits secured by the contract, or
 - (ii) extended the term of the insurance provided by the contract, was an allowed variation.
- (2) For the purposes of the provisions mentioned in subsection (3) below—
- (a) the rights mentioned in subsection (1)(e) above shall be taken to have become comprised in the settlement, and
 - (b) the person beneficially entitled to the then-current transitionally-protected interest shall be taken to have become beneficially entitled to his interest in possession so far as it subsists in those rights,

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before 22nd March 2006.

- (3) Those provisions are—
- section 3A(2) above;
 - section 5(1A) above;
 - section 49(1A) and (1B) below;
 - section 51(1A) and (1B) below;
 - section 52(2A) and (3A) below;
 - section 53(1A) and (2A) below;
 - section 54(2A) and (2B) below;
 - section 54A(1A) below;
 - section 57A(1A) below;
 - section 58(1B) and (1C) below;
 - section 59(1) and (2) below;
 - section 80(4) below;
 - section 100(1A) below;
 - section 101(1A) below;
 - section 102ZA(1) of the Finance Act 1986 (gifts with reservation); and
 - sections 72(1A) and (2A) and 73(2A) of the 1992 Act.
- (4) If payment of the premium is a transfer of value made by an individual, that transfer of value is a potentially exempt transfer.
- (5) In this section—
- “allowed variation”, in relation to a contract, means a variation that takes place by operation of, or as a result of exercise of rights conferred by, provisions forming part of the contract immediately before 22nd March 2006;
 - “transitionally-protected interest” means—
 - (a) an interest in possession to which a person was beneficially entitled immediately before, and on, 22nd March 2006, or
 - (b) a transitional serial interest.

46B Contract of life insurance entered into before 22nd March 2006 which immediately before that day is property to which section 71 applies

- (1) Subsections (2) and (5) below apply where—
- (a) a settlement commenced before 22nd March 2006,
 - (b) a contract of life insurance was entered into before that day,
 - (c) a premium payable under the contract is paid, or an allowed variation is made to the contract, at a particular time on or after that day,
 - (d) immediately before that day, and at all subsequent times up to the particular time, there were rights under the contract that—
 - (i) were comprised in the settlement, and
 - (ii) were settled property to which section 71 below applied,
 - (e) rights under the contract become, by reference to payment of the premium or as a result of the variation, comprised in the settlement, and

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- (f) any variation of the contract on or after 22nd March 2006 but before the particular time, so far as it was a variation that—
 - (i) increased the benefits secured by the contract, or
 - (ii) extended the term of the insurance provided by the contract,was an allowed variation.
- (2) If the rights mentioned in subsection (1)(e) above would, but for subsection (1A) of section 71 below, become property to which that section applies, those rights shall become settled property to which that section applies when they become comprised in the settlement.
- (3) Subsection (5) below also applies where—
- (a) a settlement commenced before 22nd March 2006,
 - (b) a contract of life insurance was entered into before that day,
 - (c) a premium payable under the contract is paid, or an allowed variation is made to the contract, at a particular time on or after that day when there are rights under the contract—
 - (i) that are comprised in the settlement and are settled property to which section 71A or 71D below applies,
 - (ii) that immediately before that day were settled property to which section 71 below applied, and
 - (iii) that on or after that day, but before the particular time, became property to which section 71A or 71D below applies in circumstances falling within subsection (4) below,
 - (d) rights under the contract become, by reference to payment of the premium or as a result of the variation, comprised in the settlement, and
 - (e) any variation of the contract on or after 22nd March 2006 but before the particular time, so far as it was a variation that—
 - (i) increased the benefits secured by the contract, or
 - (ii) extended the term of the insurance provided by the contract,was an allowed variation.
- (4) The circumstances referred to in subsection (3)(c)(iii) above are—
- (a) in the case of property to which section 71D below applies, that the property on becoming property to which section 71D below applies ceased to be property to which section 71 below applied without ceasing to be settled property;
 - (b) in the case of property to which section 71A below applies—
 - (i) that the property on becoming property to which section 71A below applies ceased, by the operation of section 71(1B) below, to be property to which section 71 below applied, or
 - (ii) that the property, having become property to which section 71D below applied in circumstances falling within paragraph (a) above, on becoming property to which 71A below applies ceased, by the operation of section 71D(5)(a) below, to be property to which section 71D below applied.
- (5) If payment of the premium is a transfer of value made by an individual, that transfer of value is a potentially exempt transfer.

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(6) In this section “allowed variation”, in relation to a contract, means a variation that takes place by operation of, or as a result of exercise of rights conferred by, provisions forming part of the contract immediately before 22nd March 2006.”

(2) Sub-paragraph (1) shall be deemed to have come into force on 22nd March 2006.

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