



Income Tax Act 2007

2007 CHAPTER 3

PART 9

SPECIAL RULES ABOUT SETTLEMENTS AND TRUSTEES

CHAPTER 10

HERITAGE MAINTENANCE SETTLEMENTS

Application of property for non-heritage purposes: charge to tax

512 Charge to tax on some settlements

- (1) Income tax is charged in respect of a heritage maintenance settlement on any of the occasions described in cases A to D, subject to sections 516 and 517.
- (2) Case A is where any of the property comprised in the settlement (whether capital or income) is applied otherwise than—
 - (a) for a property maintenance purpose, or
 - (b) as respects income not so applied and not accumulated, for the benefit of a heritage body.
- (3) Case B is where any of that property, on ceasing to be comprised in the settlement, devolves otherwise than on a heritage body.
- (4) Case C is where the heritage direction ceases to have effect in respect of the settlement.
- (5) Case D is where any of the property comprised in the settlement, on ceasing at any time to be comprised in the settlement—
 - (a) devolves on a heritage body, and
 - (b) at or before that time an interest under the settlement is or has been acquired for a consideration in money or money's worth by that or another such body.

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- (6) For the purposes of subsection (5)(b) any acquisition from another such body is to be ignored.

513 Income charged

- (1) Tax is charged under section 512 on the whole of the income—
- (a) which has arisen in the relevant period from the property comprised in the settlement, and
 - (b) which has not been applied (whether or not it has been first accumulated) for a property maintenance purpose or for the benefit of a heritage body.
- (2) In this section “relevant period” means—
- (a) if tax has become chargeable under section 512 in respect of the settlement on a previous occasion, the period since the last occasion, and
 - (b) in any other case, the period since the settlement took effect.
- (3) Tax charged under section 512 is in addition to any tax otherwise chargeable.
- (4) All the provisions of the Income Tax Acts relating to assessments and to the collection and recovery of income tax (so far as applicable) are to apply to that charge.

514 Persons liable

The persons liable for any tax charged under section 512 are the trustees of the settlement.

515 Rate of tax

Tax is charged under section 512 at the rate found by—

- (a) taking the [^{F1}additional rate] for the tax year during which the charge arises, and
- (b) reducing it by the trust rate for that year.

Textual Amendments

- F1** Words in s. 515(a) substituted (with effect in accordance with Sch. 2 para. 25 of the amending Act) by [Finance Act 2009 \(c. 10\), Sch. 2 para. 7](#)

516 Transfer of property between settlements

- (1) This section applies if the whole of the property comprised in a settlement becomes comprised in another settlement because of a tax-free transfer.
- (2) The occasion of charge under section 512, which would otherwise occur at the time of transfer, occurs when tax first becomes chargeable under that section in respect of any settlement comprising the transferred property (“the chargeable settlement”).
- (3) For the purposes of section 513(1) as it applies to the chargeable settlement, the relevant period is adjusted so that it begins—
 - (a) on the occasion when tax last became chargeable under section 512 in respect of any previous settlement from which the property was transferred, or

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- (b) if there has been no such occasion, when such previous settlement (or the first of them) took effect.
- (4) In this section “tax-free transfer” means a transfer of property from one settlement into another in either of the following cases—
- (a) where paragraph 9(1) of Schedule 4 to IHTA 1984 provides (or, but for paragraph 9(4) of that Schedule, would provide) an exception from charge in respect of the property, or
 - (b) where, both immediately before and immediately after the transfer, the property is heritage maintenance property.

517 Exemption for income treated as income of settlor

- (1) Tax is not chargeable under section 512 in respect of income which is treated under section 624 or 629 of ITTOIA 2005 as income of the settlor.
- (2) If such income arises in a tax year, any sums applied in the year—
 - (a) for a property maintenance purpose, or
 - (b) for the benefit of a heritage body,are to be treated as paid first out of that income and, so far as there is any excess, out of income that does not fall within subsection (1).

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