

Status: Point in time view as at 19/07/2011.

Changes to legislation: Finance Act 2008, Cross Heading: Amendments of IHTA 1984 is up to date with all changes known to be in force on or before 06 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

SCHEDULES

SCHEDULE 4 U.K.

INHERITANCE TAX: TRANSFER OF NIL-RATE BAND ETC

Amendments of IHTA 1984

- 1 IHTA 1984 is amended as follows.
- 2 After section 8 insert—

“8A Transfer of unused nil-rate band between spouses and civil partners

- (1) This section applies where—
 - (a) immediately before the death of a person (a “deceased person”), the deceased person had a spouse or civil partner (“the survivor”), and
 - (b) the deceased person had unused nil-rate band on death.
- (2) A person has unused nil-rate band on death if—

$$M > VT$$

where—

M is the maximum amount that could be transferred by a chargeable transfer made (under section 4 above) on the person's death if it were to be wholly chargeable to tax at the rate of nil per cent. (assuming, if necessary, that the value of the person's estate were sufficient but otherwise having regard to the circumstances of the person); and
VT is the value actually transferred by the chargeable transfer so made (or nil if no chargeable transfer is so made).

- (3) Where a claim is made under this section, the nil-rate band maximum at the time of the survivor's death is to be treated for the purposes of the charge to tax on the death of the survivor as increased by the percentage specified in subsection (4) below (but subject to subsection (5) and section 8C below).
- (4) That percentage is—

$$\frac{E}{\text{NRBMD}} \times 100$$

where—

E is the amount by which M is greater than VT in the case of the deceased person; and
NRBMD is the nil-rate band maximum at the time of the deceased person's death.

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- (5) If (apart from this subsection) the amount of the increase in the nil-rate band maximum at the time of the survivor's death effected by this section would exceed the amount of that nil-rate band maximum, the amount of the increase is limited to the amount of that nil-rate band maximum.
- (6) Subsection (5) above may apply either—
- (a) because the percentage mentioned in subsection (4) above (as reduced under section 8C below where that section applies) is more than 100 because of the amount by which M is greater than VT in the case of one deceased person, or
 - (b) because this section applies in relation to the survivor by reference to the death of more than one person who had unused nil-rate band on death.
- (7) In this Act “nil-rate band maximum” means the amount shown in the second column in the first row of the Table in Schedule 1 to this Act (upper limit of portion of value charged at rate of nil per cent.) and in the first column in the second row of that Table (lower limit of portion charged at next rate).

8B Claims under section 8A

- (1) A claim under section 8A above may be made—
- (a) by the personal representatives of the survivor within the permitted period, or
 - (b) (if no claim is so made) by any other person liable to the tax chargeable on the survivor's death within such later period as an officer of Revenue and Customs may in the particular case allow.
- (2) If no claim under section 8A above has been made in relation to a person (P) by reference to whose death that section applies in relation to the survivor, the claim under that section in relation to the survivor may include a claim under that section in relation to P if that does not affect the tax chargeable on the value transferred by the chargeable transfer of value made on P's death.
- (3) In subsection (1)(a) above “the permitted period” means—
- (a) the period of two years from the end of the month in which the survivor dies or (if it ends later) the period of three months beginning with the date on which the personal representatives first act as such, or
 - (b) such longer period as an officer of Revenue and Customs may in the particular case allow.
- (4) A claim made within either of the periods mentioned in subsection (3)(a) above may be withdrawn no later than one month after the end of the period concerned.

8C Section 8A and subsequent charges

- (1) This section applies where—
- (a) the conditions in subsection (1)(a) and (b) of section 8A above are met, and

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- (b) after the death of the deceased person, tax is charged on an amount under any of sections 32, 32A and 126 below by reference to the rate or rates that would have been applicable to the amount if it were included in the value transferred by the chargeable transfer made (under section 4 above) on the deceased person's death.
- (2) If the tax is charged before the death of the survivor, the percentage referred to in subsection (3) of section 8A above is (instead of that specified in subsection (4) of that section)—

$$\left(\frac{E}{\text{NRBMD}} - \frac{TA}{\text{NRBME}} \right) \times 100$$

where—

E and NRBMD have the same meaning as in subsection (4) of that section; TA is the amount on which tax is charged; and NRBME is the nil-rate band maximum at the time of the event occasioning the charge.

- (3) If this section has applied by reason of a previous event or events, the reference in subsection (2) to the fraction

$$\frac{TA}{\text{NRBME}}$$

is to the aggregate of that fraction in respect of the current event and the previous event (or each of the previous events).

- (4) If the tax is charged after the death of the survivor, it is charged as if the personal nil-rate band maximum of the deceased person were appropriately reduced.
- (5) In subsection (4) above—

“the personal nil-rate band maximum of the deceased person” is the nil rate band maximum which is treated by Schedule 2 to this Act as applying in relation to the deceased person's death, increased in accordance with section 8A above where that section effected an increase in that nil-rate band maximum in the case of the deceased person (as survivor of another deceased person), and

“appropriately reduced” means reduced by the amount (if any) by which the amount on which tax was charged at the rate of nil per cent. on the death of the survivor was increased by reason of the operation of section 8A above by virtue of the position of the deceased person.”

- 3 In section 147 (Scotland: legitim etc), insert at the end—

“(10) Where the application of subsection (4) in relation to the estate of a person means that too great an increase has been made under subsection (3) of section 8A above in the case of another person, the claim under that section in that case may be amended accordingly by the Commissioners for Her Majesty's Revenue and Customs.”

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Textual Amendments

F1 Sch. 4 para. 4 omitted (with effect in accordance with Sch. 16 para. 85 107 of the amending Act) by virtue of Finance Act 2011 (c. 11), Sch. 16 para. 84(d)(i)

- 5 In section 239(4) (certificates of discharge: cases where further tax not affected), after paragraph (a) (but before the “or”) insert—
 “(aa) that may afterwards be shown to be payable by reason of too great an increase having been made under section 8A(3) above,”.
- 6 In section 247(2) (tax-gearred penalty), after “liable” insert “, or for which any other person is liable by virtue of the operation of section 8A above, ”.
- 7 In section 272 (general interpretation), insert at the appropriate place—
 ““nil-rate band maximum” has the meaning given by section 8A(7);”.

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