



Finance Act 1956

1956 CHAPTER 54

PART V

DEATH DUTIES

32 Settled property charged with annuity

- (1) Where, in the case of a death occurring after the coming into force of this section.—
- (a) any settled property (other than property comprised in a settlement made by the deceased or made, directly or indirectly, at his expense or out of funds provided by him) passes on the death by reason of the termination of an interest limited to cease on the death; and
 - (b) at the time of the death there is payable out of the income of the settled property so passing an annuity not so limited, but limited by the settlement to cease on another death;

then to the extent of the annuitant's interest in the settled property, that is to say (subject to the next following subsection) to the extent to which a benefit would have been treated for the purposes of estate duty as accruing or arising by the cesser of the annuity immediately before that death, the settled property shall be deemed for the purposes of estate duty on that or any subsequent death not to pass on that death by reason of the termination of the interest limited to cease on that death.

- (2) For the purposes of the last foregoing subsection, the extent of the annuitant's interest in the settled property, where the annuity is so limited as to be reduced in amount (but not to cease) on the death, shall be determined by reference to the reduced amount of the annuity, as if the reduction had taken effect before the death.
- (3) Where immediately before a death an annuity limited by a settlement to cease on that death, or any part of such an annuity, is payable out of the income of the settled property, and is so payable for his own benefit to a person who on the death becomes beneficially entitled in possession to some other interest in the settled property or the income thereof, then subsection (1) of this section shall apply in relation to the passing of the settled property on that death as if the annuity or that part of it had been an

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annuity not limited to cease on that death, but limited by the settlement to cease on a subsequent death :

Provided that the proportion of the settled property which by reason of that annuity is deemed not to pass on the death shall not exceed the proportion of the income to which, if the interests subsisting at the time of the death had been the same interests as subsisted immediately after the cesser of the annuity, the said person's interest would have been treated as extending for purposes of estate duty, had it been he who died.

- (4) Settled property which, under subsection (1) of this section, is to any extent deemed not to pass on a death by reason of the termination of an interest limited to cease on that death shall not in consequence be deemed to pass on that death by reason only of the deceased's having been competent to dispose of it:

Provided that where an interest in settled property devolves on the deceased's personal representatives as assets for the payment of his debts, duty shall be chargeable in respect of that interest as if this subsection had not been passed.

- (5) Subsection (1) of this section shall not apply to any settled property of which the deceased has been competent to dispose and has disposed by the exercise of a power conferred by the settlement.
- (6) Where, on the death of a tenant in tail in possession within the meaning of the Settled Land Act, 1925, any settled property passes to the heir under the entail or, in default of such an heir, to a person entitled in remainder under the settlement, the foregoing provisions of this section shall apply as if the property passed by reason of the termination of an interest limited to cease on the death.
- (7) This section shall apply to property which, by virtue of section forty-three of the Finance Act, 1940, is deemed to pass on a death under section one of the Finance Act, 1894, by reason of a disposition or determination of an interest limited to cease on that death within the meaning of the said section forty-three, as if that property passed on the death by reason of the termination of that interest; but save as aforesaid this section shall not apply to reduce the extent to which any property not passing on a death is, apart from this section, to be deemed to pass on that death.
- (8) In the application of this section to Scotland—
- (a) any reference to a settlement shall include a reference to an entail and " settled property " shall be construed accordingly;
 - (b) any reference to an interest in settled property limited to cease on a death shall include a reference to the interest in such property of an institute or heir of entail; and
 - (c) subsection (6) shall be omitted ;

and where an annuity payable out of the income of entailed property is limited to cease on a death by any provision made in exercise of powers conferred by the entail, or conferred by any enactment relating to entails, the annuity shall be deemed for the purposes of this section in its application to Scotland to be limited as aforesaid by the entail.

33 Relief in cases of compulsory purchase

- (1) This section shall have effect where estate duty has been paid, or is payable, in respect of an interest in land in Great Britain and, in pursuance of a notice to treat served, or of an agreement made, not more than five years after the date as at which the interest

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was valued for the purposes of that duty, that interest is compulsorily acquired by, or sold to, a public authority possessing compulsory purchase powers.

- (2) If it is proved to the satisfaction of the Commissioners of Inland Revenue—
- (a) that the duty has been paid, or is payable, in respect of the whole of the interest; and
 - (b) that the persons to whom the interest passed beneficially on the death on which the duty was payable were the same persons as were beneficially interested therein at the date of acquisition, and the beneficial interests which they respectively took on the death were the same beneficial interests as they respectively had at the date of acquisition ; and
 - (c) that the interest was the same in all respects and with the same incidents at the date of acquisition and at all dates relevant for the purpose of ascertaining the duty; and
 - (d) that the land in which the interest subsisted was in the same state and with the same incidents and held with the same land at the date of acquisition and at all dates relevant for the purpose of ascertaining the duty; and
 - (e) that the duty fell or falls to be wholly borne by the persons who were beneficially interested at the date of the acquisition according to the respective interests which they then had ; and
 - (f) that the acquisition did not operate to sever the land from land with which it was held at any of the dates relevant for the purpose of ascertaining the duty,
- the amount of duty payable in respect of the interest shall, where necessary, be reduced by repayment or remission of duty so as not to exceed the amount which would have been payable in respect thereof if the principal value of the interest had been equal to the amount of the compensation or price payable for the purchase thereof, including, in the case of compensation, any additional compensation to be paid under Part III of the Town and Country Planning Act, 1954, or Part III of the Town and Country Planning (Scotland) Act. 1954.
- (3) If, after the date as at which the interest was valued for the purpose of estate duty—
- (a) a restriction was imposed on the use or development of the land in which the interest subsisted, or any other decision was made affecting the land, and
 - (b) compensation became payable to the persons to whom the interest passed beneficially on the death in respect of the imposition of the restriction or the making of the decision,
- the restriction or decision shall not be regarded for the purposes of paragraph (d) of the last foregoing subsection as constituting a new incident but the amount of the compensation shall be added to the compensation or price payable for the purchase of the interest and the relief available under that subsection shall be reduced accordingly; and where, after the date as at which the interest was valued for the purposes of estate duty, any compensation which had been paid in respect of the imposition of such a restriction or the making of such a decision became recoverable from those persons in consequence of the modification of the restriction or decision, the amount recoverable shall be subtracted from the compensation or price payable for the purchase of the interest and the relief available under subsection (2) of this section shall be increased accordingly.
- (4) Where the Commissioners are satisfied that the provisions of subsection (2) of this section would have had effect but for all or any of the following facts, that is to say—
- (a) that the requirement in paragraph (a) thereof is not fulfilled in that the duty was paid or payable on part of the interest only; or

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- (b) that one or more of the requirements respectively specified in paragraphs (b) to (e) thereof are only partly fulfilled; or
 - (c) that the requirement in paragraph (f) thereof is not fulfilled,
- they may grant to any of the persons paying or bearing any of the duty such relief by repayment or remission of duty as may seem to them just and reasonable.

(5) For the purposes of this section—

" date of acquisition " means—

- (a) in the case of a compulsory acquisition, the date of the service of the notice to treat, and
- (b) in the case of an acquisition by agreement, the date of the making of the agreement;

" public authority possessing compulsory purchase powers " has the meaning for the time being assigned to it by the Town and Country Planning Act, 1954, or, as the case may be, the Town and Country Planning (Scotland) Act, 1954;

and an interest which is limited to expire, or is subject to an interest which is limited to expire, shall not be regarded as being the same in all respects at different dates.

(6) This section shall extend to cases where an interest in land was valued for the purposes of estate duty as at a date before the passing of this Act but on or after the eighteenth day of November, nineteen hundred and fifty-two, and shall apply to such cases whether or not the date of acquisition fell before the passing of this Act and whether or not section fifty-seven of the Finance (No. 2) Act, 1945 (which in cases comparable to those to which this section relates afforded relief where the compensation did not reflect any special value attributable to vacant possession), also applied:

Provided that any payment to the persons beneficially entitled to the interest in respect of which relief is to be given which is made—

- (a) under section five or eleven of the Town and Country Planning Act, 1954 (which relate to cases where land was sold before the commencement of that Act), or
- (b) under section five or eleven of the Town and Country Planning (Scotland) Act, 1954, (which relate to corresponding cases),

in consequence of its acquisition by the authority possessing compulsory purchase powers shall be treated for the purposes of this section as if it had formed part of the compensation or price payable on the acquisition.

34 Acceptance of works of art in satisfaction of death duties, and amendment as to exemption

- (1) The power of the Commissioners of Inland Revenue to accept property other than land in satisfaction of estate duty or settlement estate duty shall, without prejudice to the power under section thirty of the Finance Act, 1953, to accept objects associated with certain buildings, include power to accept any work of art which the Treasury are satisfied is pre-eminent for its aesthetic merit or historical value ; and subsections (2) and (3) of the said section thirty (which regulate matters arising out of acceptances under that section) shall apply in the same way to acceptances under this section.
- (2) Section forty-four of the Finance Act, 1921, and the proviso to subsection (2) of section forty of the Finance Act, 1930 (which provide that death duties shall not become chargeable in respect of certain property on the sale thereof to the National Gallery,

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British Museum, or certain other institutions therein mentioned), shall have effect as if the references to such a sale included a reference to a sale after the passing of this Act to the Minister of Works, where he buys under the powers conferred by section five of the Historic Buildings and Ancient Monuments Act, 1953.

35 Aggregation of certain annuity contracts, etc.

Where the property passing on the death of any person either includes any contract approved by the Commissioners of Inland Revenue under section twenty-two of this Act, being a contract providing for an annuity to become payable on the death to any widow, widower or other dependant of that person, or includes any annuity so payable under such a contract, then the contract so passing, in so far as it provides for payment of that annuity, or the annuity so passing, as the case may be, shall be treated for purposes of estate duty on that death as a life insurance within the meaning of subsection (2) of section thirty-three of the Finance Act, 1954 (which makes special provision as to aggregation in the case of policies of assurance in which the deceased never had an interest), and shall be so treated whether or not the deceased at any time had an interest therein.

36 Settled property passing on death of husband and wife

- (1) In subsection (2) of section thirty-two of the Finance Act, 1954 (which relates to the exemption from estate duty of property passing on the death of a surviving spouse, when duty has been paid on the death of the other spouse or would have been if the duty were payable on estates of however small a principal value), for the words " but would have been if the duty were payable on estates of however small a principal value" there shall be substituted the words " by reason only of the property being or forming part of an estate of too small a principal value or of no principal value ".
- (2) This section shall apply where the second death occurs after the commencement of this Act, whether or not the first death occurred after that commencement.