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SCHEDULES:

SCHEDULE 5

SETTLED PROPERTY

Periodic charge to tax

12 (1) Where, at a relevant anniversary, no interest in possession subsists in the property comprised in a settlement or in a part of that property, a capital distribution of an amount equal to the value immediately before that anniversary of that property or part shall be treated as made out of that property or part, and tax shall be charged on a capital distribution so treated as made at 30 per cent, of the rate at which it would be chargeable under paragraphs 6 to 10 above on a capital distribution of the same amount made at the same date, but subject to any reduction under sub-paragraph (4) below.

(2) Where the trustees of the settlement are not resident in the United Kingdom a capital distribution of a corresponding amount shall also be treated as made if no interest in possession subsists in the property or in a part thereof at the end of any year in the period of ten years ending with a relevant anniversary, except the last and except any year ending before 1st January 1976 ; and tax shall be charged on a capital distribution so treated as made at 3 per cent, of the rate at which it would be chargeable under paragraphs 6 to 10 above on a capital distribution of the same amount made at the same date.

(3) Any tax charged by virtue of sub-paragraph (2) above shall be allowed as a credit against the tax chargeable on the next capital distribution made, or treated by virtue of sub-paragraph (1) above as made, out of the property or, as the case may be, out of the part concerned.

(4) Where the whole or part of the value mentioned in sub-paragraph (1) above is attributable to property—

(a) which was added by the settlor after the end of the first of the ten years ending with the relevant anniversary ; or

(b) in which an interest in possession subsisted throughout at least one of those ten years ;

the rate at which, under sub-paragraph (1) above, tax is chargeable on that value or that part of it shall be reduced by one-tenth for each of those ten years throughout which either the settled property did not include that property, or an interest in possession subsisted in that property.

(5) For the purposes of this paragraph trustees of a settlement shall be regarded as not resident in the United Kingdom unless the general administration of the settlement is ordinarily carried on in the United Kingdom and the trustees or a majority of them (and, where there is more than one class of trustees, a majority of each class) are for the time being resident in the United Kingdom.

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(6) For the purposes of this paragraph a relevant anniversary, in relation to a settlement, is the end of the ten years beginning with the date of the transfer of value which is the relevant transfer in relation to the settlement (or would be the relevant transfer in relation to it if dispositions made or events happening at that date could be chargeable transfers and paragraph (c) of paragraph 11(2) above were omitted) and the end of every subsequent ten years ; but no date falling before 1st April 1980 is a relevant anniversary.

(7) In this paragraph expressions defined for the purposes of paragraphs 6 to 10 above have the same meanings as in those paragraphs.

(8) Section 51(2) of this Act does not apply to a charge to tax under this paragraph so as to make it the relevant transfer in relation to any settlement.