

SCHEDULE 10

VALUATION

PART I

—GENERAL

Liabilities

- 1 (1) Except as otherwise provided by this Part of this Act, in determining the value of a transferor's estate at any time his liabilities at that time shall be taken into account.
- (2) The liabilities to be taken into account in determining the value of a transferor's estate immediately after a transfer of value include his liability for tax on the value transferred but not his liability (if any) for any other tax or duty resulting from the transfer ; and in computing his liability for tax—
 - (a) no allowance shall be made for the fact that the tax will not be due immediately ; and
 - (b) any tax recovered otherwise than from the transferor or from a person liable for it under section 25(8) of this Act shall be treated as having been paid in discharge of a liability in respect of which the transferor had a right to reimbursement.
- (3) Except in the case of a liability imposed by law, a liability incurred by the transferor shall be taken into account only to the extent that it was incurred for a consideration in money or money's worth.
- (4) Subject to sub-paragraph (2) above, where a liability falls to be discharged after the time at which it is to be taken into account it shall be valued as at the time at which it is to be taken into account.
- (5) A liability in respect of which there is a right to reimbursement shall be taken into account only to the extent (if any) that reimbursement cannot reasonably be expected to be obtained.
- 2 A liability which is an incumbrance on any property shall, so far as possible, be taken to reduce the value of that property.
- 3 Where a liability taken into account is a liability to a person resident outside the United Kingdom which neither—
 - (a) falls to be discharged in the United Kingdom ; nor
 - (b) is an incumbrance on property in the United Kingdom,it shall, so far as possible, be taken to reduce the value of property outside the United Kingdom.

Tax on capital gains borne by donee

- 4 (1) Where a chargeable transfer is or includes a disposal of an asset and on the disposal a gain accrues to the transferor for the purposes of Part III of the Finance Act 1965, then, if—
 - (a) the whole or part of the gain is a chargeable gain or a development gain ; and

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- (b) the whole or part of any capital gains tax or income tax chargeable on the gain is borne by the donee (within the meaning of paragraph 19 of Schedule 7 to that Act);

the amount of the tax so borne shall be treated as reducing the value transferred by the chargeable transfer.

- (2) Where the chargeable transfer is made under Schedule 5 to this Act, sub-paragraph (1) above shall have effect as if for the reference to the transferor there were substituted a reference to the trustee.

Restriction on freedom to dispose

- 5 (1) Where, by a contract made at any time, the right to dispose of any property has been excluded or restricted, then, in determining the value of the property for the purpose of the first relevant event happening after that time.—
- (a) the exclusion or restriction shall be taken into account only to the extent (if any) that consideration in money or money's worth was given for it; but
- (b) if the contract was a chargeable transfer or was part of associated operations which together were a chargeable transfer, an allowance shall be made for the value transferred thereby (calculated as if no tax had been chargeable on it) or by so much thereof as is attributable to the exclusion or restriction.
- (2) Where the contract was made before 27th March 1974 sub-paragraph (1) above applies only if the first relevant event is a transfer made on death.
- (3) In this paragraph "relevant event", in relation to any property, means—
- (a) a chargeable transfer in the case of which the whole or part of the value transferred is attributable to the value of the property; and
- (b) anything which would be such a chargeable transfer but for this paragraph.

Incidental expenses incurred by transferor

- 6 In determining the value transferred by a transfer of value, expenses incurred by the transferor in making the transfer (but not his liability for tax)—
- (a) shall, if borne by him, be left out of account;
- (b) shall, if borne by a person benefiting from the transfer be treated as reducing the value transferred.

Valuation of related property

- 7 (1) Where the value of any property comprised in a person's estate would be less than the appropriate portion of the value of the aggregate of that and any related property, it shall be the appropriate portion of the value of that aggregate.
- (2) For the purposes of this paragraph, property is related to the property comprised in a person's estate if—
- (a) it is comprised in the estate of his spouse; or
- (b) it is, or is part of, the property comprised in a settlement made by him or his spouse before 27th March 1974, and no interest in possession subsists in that property or part.
- (3) The appropriate portion of the value of the aggregate mentioned in sub-paragraph (1) above is such portion thereof as would be attributable to the value of the first-

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mentioned property if the value of that aggregate were equal to the sums of the values of that and any related property, the value of each property being determined as if it did not form part of that aggregate.

- (4) For the purposes of sub-paragraph (3) above the proportion which the value of a smaller number of shares of any class bears to the value of a greater number thereof shall be taken to be that which the smaller number bears to the greater; and similarly with stock, debentures and units of any other description of property.
- (5) Shares shall not be treated for the purposes of sub-paragraph (4) above as being of the same class unless they are so treated by the practice of a recognised stock exchange or would be so treated if dealt with on such a stock exchange.

Value of lessor's interest

- 8 Where, under paragraph 1(3) of Schedule 5 to this Act, a lease of property is to be treated as a settlement, the value of the lessor's interest in the property shall be taken to be such part of the value of the property as bears to it the same proportion as the value of the consideration, at the time the lease was granted, bore to what would then have been the value of a full consideration in money or money's worth.

Value transferred on death

- 9 (1) In determining the value of a person's estate immediately before his death—
- (a) changes in the value of his estate which have occurred by reason of the death and fall within sub-paragraph (2) below shall be taken into account as if they had occurred before the death; and
 - (b) allowance shall be made for reasonable funeral expenses; and
 - (c) where there is a liability to make payments or transfer assets under such a disposition as is mentioned in section 40 of this Act, the liability shall be computed as if the amount or value of the payments or assets were reduced by the chargeable portion thereof (as defined in that section); and
 - (d) an allowance against the value of property situated outside the United Kingdom shall be made for any expense incurred in administering or realising the property which is shown to be attributable to the situation of the property, but the allowance shall not exceed five per cent, of the value of the property.
- (2) A change falls within this sub-paragraph if it is an addition to the property comprised in the estate or an increase or decrease of the value of any property so comprised; but the termination on the death of any interest or the passing of any interest by survivorship does not fall within this sub-paragraph.
- (3) Part II of this Schedule shall apply with respect to the valuation of qualifying investments (as defined in that Part) which are comprised in a person's estate immediately before his death and are sold by the appropriate person (as so defined) within the period of twelve months immediately following the date of the death.

Value of amounts due

- 10 In determining the value of a right to receive a sum due under any obligation it shall be assumed that the obligation will be duly discharged, except if or to the extent

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that recovery of the sum is impossible or not reasonably practicable and has not become so by any act or omission of the person to whom the sum is due.

Value of life policies, etc.

- 11 (1) Subject to the following provisions of this paragraph, in determining in connection with a transfer of value the value of a policy of insurance on a person's life or of a contract for an annuity payable on a person's death, that value shall be taken to be not less than—
- (a) the total of the premiums or other consideration which, at any time before the transfer of value, has been paid under the policy or contract or any policy or contract for which it was directly or indirectly substituted ; less
 - (b) any sum which, at any time before the transfer of value, has been paid under, or in consideration for the surrender of any right conferred by, the policy or contract or a policy or contract for which it was directly or indirectly substituted.
- (2) Sub-paragraph (1) above does not apply where the transfer of value is made on the death of the person whose life was insured or, as the case may be, on whose death the annuity is payable.
- (3) Sub-paragraph (1) above does not apply where the policy is one under which the sum assured becomes payable only if the person whose life is insured dies before the expiry of a specified term or both before the expiry of a specified term and during the life of a specified person and which, if that specified term ends, or can, under the policy, be extended so as to end, more than three years after the making of the insurance, satisfies the condition that, if neither the person whose life is insured nor the specified person dies before the expiry of the specified term—
- (a) the premiums are payable during at least two-thirds of that term and at yearly or shorter intervals ; and
 - (b) the premiums payable in any one period of twelve months are not more than twice the premiums payable in any other such period.
- (4) Where the policy is one under which—
- (a) the benefit secured is expressed in units the value of which is published and subject to fluctuation ; and
 - (b) the payment of each premium secures the allocation to the policy of a specified number of such units ;

then, if the value, at the time of the transfer of value, of the units allocated to the policy on the payment of premiums is less than the aggregate of what the respective values of those units were at the time of allocation, the value to be taken under sub-paragraph (1) above as a minimum shall be reduced by the amount of the difference.

Farm cottages

- 12 In determining the value of any agricultural property which includes cottages occupied by persons employed solely for agricultural purposes in connection with the property, no account shall be taken of any value attributable to the fact that the cottages are suitable for the residential purposes of persons not so employed.

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Open market price of unquoted shares and securities

- 13 (1) In determining the price which unquoted shares or securities might reasonably be expected to fetch if sold in the open market it shall be assumed that in that market there is available to any prospective purchaser of the shares or securities all the information which a prudent prospective purchaser might reasonably require if he were proposing to purchase them from a willing vendor by private treaty and at arm's length.
- (2) In this paragraph " unquoted shares or securities " means shares or securities which are not quoted on a recognised stock exchange.