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SCHEDULES :

SCHEDULE 5

SETTLED PROPERTY

Termination of interest in possession treated as transfer of value

- 4 (1) Where a person beneficially entitled to an interest in possession in any property comprised in a settlement disposes of his interest the disposal—
- (a) is not a transfer of value ; but
 - (b) shall be treated for the purposes of this Schedule as the coming to an end of his interest;
- and tax shall be charged accordingly under the following provisions of this paragraph.
- (2) Where at any time during the life of a person beneficially entitled to an interest in possession in any property comprised in a settlement his interest comes to an end, tax shall be charged, subject to the following provisions of this paragraph, as if at that time he had made a transfer of value and the value transferred had been equal to the value of the property in which his interest subsisted.
- (3) If the person whose interest in the property comes to an end becomes on the same occasion beneficially entitled to the property or to another interest in possession in the property tax shall not be chargeable under this paragraph, except in the case mentioned in sub-paragraph (10)(b) below.
- (4) If the interest comes to an end by being disposed of by the person beneficially entitled thereto and the disposal is for a consideration in money or money's worth, tax shall be chargeable under this paragraph as if the value of the property in which the interest subsisted were reduced by the amount of the consideration ; but in determining that amount the value of a reversionary interest in the property or of any interest in other property comprised in the same settlement shall be left out of account.
- (5) If the interest comes to an end during the settlor's life and on the same occasion the property in which the interest subsisted reverts to the settlor, tax shall not be chargeable under this paragraph unless the settlor had acquired a reversionary interest in the property for a consideration in money or money's worth.
- (6) If the interest comes to an end and on the same occasion the settlor's spouse becomes beneficially entitled to the settled property, then if—
- (a) the settlor's spouse is then domiciled in the United Kingdom and resident (within the meaning of the Income Tax Acts) in the United Kingdom in the year of assessment in which the interest comes to an end ; and
 - (b) neither the settlor nor the settlor's spouse had acquired a reversionary interest in the property for a consideration in money or money's worth ;
- tax shall not be chargeable under this paragraph.

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- (7) Where the person beneficially entitled to the interest is the surviving spouse of a person who has died before 13th November 1974, tax shall not be chargeable under this paragraph if the value of the property in which the interest subsists would, by virtue of section 22(4) of this Act, have been left out of account in determining the value of his estate had he died immediately before the coming to an end of the interest.
- (8) The tax chargeable under this paragraph in a case where—
- (a) the settlement was made before 27th March 1974 ; and
 - (b) the interest comes to an end before 10th December 1974 ;
- shall not in any case exceed the tax that would be so chargeable if the values transferred by previous chargeable transfers made by the person beneficially entitled to the interest had been equal to the values (if any) on which tax is chargeable under this paragraph on the earlier termination of an interest in the settled property.
- (9) Where a transaction is made between the trustees of the settlement and a person who is, or is connected with.—
- (a) the person beneficially entitled to an interest in the property; or
 - (b) a person beneficially entitled to any other interest in that property or to any interest in any other property comprised in the settlement; or
 - (c) a person for whose benefit any of the settled property may be applied,
- and, as a result of the transaction, the value of the first-mentioned property is less than it would be but for the transaction, a corresponding part of the interest shall be deemed for the purposes of this paragraph to come to an end, unless the transaction is such that, were the trustees beneficially entitled to the settled property, it would not be a transfer of value.
- (10) References in this paragraph to any property and to an interest in any property include references to part of any property or interest; and—
- (a) the tax chargeable under this paragraph on the coming to an end of part of an interest shall be charged as if the value of the property (or part) in which the interest subsisted were a corresponding part of the whole thereof; and
 - (b) if the value of the property (or part) to which or to an interest in which a person becomes entitled as mentioned in sub-paragraph (3) above is less than the value on which tax would be chargeable apart from that sub-paragraph, tax shall be chargeable on a value equal to the difference.
- (11) Tax shall not be chargeable under this paragraph if the settled property is excluded property.