



# Inheritance Tax Act 1984

## 1984 CHAPTER 51

### PART I

#### GENERAL

*Dispositions that are not transfers of value [<sup>F1</sup>(and omissions that do not give rise to deemed dispositions)]*

#### Textual Amendments

**F1** Words in s. 10 cross-heading inserted (15.9.2016) by [Finance Act 2016 \(c. 24\), s. 94\(2\)](#)

#### **10 Dispositions not intended to confer gratuitous benefit.**

- (1) A disposition is not a transfer of value if it is shown that it was not intended, and was not made in a transaction intended, to confer any gratuitous benefit on any person and either—
  - (a) that it was made in a transaction at arm's length between persons not connected with each other, or
  - (b) that it was such as might be expected to be made in a transaction at arm's length between persons not connected with each other.
- (2) Subsection (1) above shall not apply to a sale of [<sup>F2</sup>unquoted shares or unquoted debentures] unless it is shown that the sale was at a price freely negotiated at the time of the sale or at a price such as might be expected to have been freely negotiated at the time of the sale.
- (3) In this section—

“disposition” includes anything treated as a disposition by virtue of section 3(3) above;

“transaction” includes a series of transactions and any associated operations.

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**Changes to legislation:** *There are currently no known outstanding effects for the Inheritance Tax Act 1984, Cross Heading: Dispositions that are not transfers of value (and omissions that do not give rise to deemed dispositions). (See end of Document for details)*

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### Textual Amendments

**F2** Finance Act 1987 Sch. 8, para. 1, *with effect from 17 March 1987. Originally*  
 “shares or debentures not quoted on a recognised stock exchange”.

## 11 Dispositions for maintenance of family.

- (1) A disposition is not a transfer of value if it is made by one party to a marriage [<sup>F3</sup>or civil partnership] in favour of the other party or of a child of either party and is—
  - (a) for the maintenance of the other party, or
  - (b) for the maintenance, education or training of the child for a period ending not later than the year in which he attains the age of eighteen or, after attaining that age, ceases to undergo full-time education or training.
- (2) A disposition is not a transfer of value if it is made in favour of a child who is not in the care of a parent of his and is for his maintenance, education or training for a period ending not later than the year in which—
  - (a) he attains the age of eighteen, or
  - (b) after attaining that age he ceases to undergo full-time education or training;
 but paragraph (b) above applies only if before attaining that age the child has for substantial periods been in the care of the person making the disposition.
- (3) A disposition is not a transfer of value if it is made in favour of a dependent relative of the person making the disposition and is a reasonable provision for his care or maintenance.
- (4) A disposition is not a transfer of value if it is made in favour of an illegitimate child of the person making the disposition and is for the maintenance, education or training of the child for a period ending not later than the year in which he attains the age of eighteen or, after attaining that age, ceases to undergo full-time education or training.
- (5) Where a disposition satisfies the conditions of the preceding provisions of this section to a limited extent only, so much of it as satisfies them and so much of it as does not satisfy them shall be treated as separate dispositions.
- (6) In this section—
 

“child” includes a step-child and an adopted child and “parent” shall be construed accordingly;

[<sup>F4</sup>“civil partnership”, in relation to a disposition made on the occasion of the dissolution or annulment of a civil partnership, and in relation to a disposition varying a disposition so made, includes a former civil partnership;]

“dependent relative” means in relation to any person—

  - (a) a relative of his, or of his spouse [<sup>F5</sup>or civil partner], who is incapacitated by old age or infirmity from maintaining himself, or
  - (b) [<sup>F6</sup>his mother or father or his spouse's or civil partner's mother or father;]

“marriage”, in relation to a disposition made on the occasion of the dissolution or annulment of a marriage, and in relation to a disposition varying a disposition so made, includes a former marriage;

“year” means period of twelve months ending with 5th April.

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### Textual Amendments

- F3** Words in s. 11(1) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **4(2)**
- F4** S. 11(6): definition of "civil partnership" inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **4(3)(b)**
- F5** S. 11(6): words in definition of "dependent relative" inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **4(3)(a)(i)**
- F6** S. 11(6): words in definition of "dependent relative" substituted (5.12.2005 with effect in accordance with reg. 1(2) of the amending S.I.) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **4(3)(a)(ii)**

## 12 Dispositions allowable for income tax or conferring <sup>F7</sup>benefits under pension scheme].

- (1) A disposition made by any person is not a transfer of value if it is allowable in computing that person's profits or gains for the purposes of income tax or corporation tax or would be so allowable if those profits or gains were sufficient and fell to be so computed.
- (2) Without prejudice to subsection (1) above, a disposition made by any person is not a transfer of value if <sup>F8</sup>it is a contribution under a registered pension scheme <sup>F9</sup>, a qualifying non-UK pension scheme or a] section 615(3) scheme in respect of an employee of the person making the disposition.]

<sup>F10</sup>(2ZA) Where a person who is a member of a registered pension scheme, a qualifying non-UK pension scheme or a section 615(3) scheme omits to exercise pension rights under the pension scheme, section 3(3) above does not apply in relation to the omission.]

<sup>F11</sup><sup>F12</sup>(2A) . . . . .

<sup>F11</sup>(2B) . . . . .

<sup>F11</sup>(2C) . . . . .

<sup>F11</sup>(2D) . . . . .

<sup>F11</sup>(2E) . . . . .

(2F) For the purposes of this section—

- (a) a person omits to exercise pension rights under a pension scheme if he does not become entitled to the whole or any part of a pension or lump sum (or both) under the pension scheme at a time when he was eligible to become so entitled (whether or not he does become entitled to any other benefits under the pension scheme); <sup>F13</sup> . . .

<sup>F13</sup>(b) . . . . .

(2G) In this section—

“entitled”, in relation to a pension or lump sum, shall be construed in accordance with section 165(3) or <sup>F14</sup>167(1A), or section 166(2),] of the Finance Act 2004;

<sup>F15</sup> . . .

“pension” has the same meaning as in <sup>F16</sup>Part 4] of that Act (see section 165(2) of that Act);

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F15 . . .  
F15 . . .]

F17(3) . . . . .

F17(4) . . . . .

- (5) Where a disposition satisfies the conditions of the preceding provisions of this section to a limited extent only, so much of it as satisfies them and so much of it as does not satisfy them shall be treated as separate dispositions.

#### Textual Amendments

- F7** Words in s. 12 sidenote substituted (6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 160, [Sch. 22 para. 2](#)
- F8** Words in s. 12(2) substituted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), [ss. 203\(2\)\(a\)](#), 284 (with [Sch. 36](#))
- F9** Words in s. 12(2) substituted (retrospective to 6.4.2006) by [Finance Act 2008 \(c. 9\)](#), s. 92, [Sch. 29 para. 18\(2\)\(8\)](#)
- F10** S. 12(2ZA) inserted (with effect as mentioned in [Sch. 16 paras. 85, 105](#) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), s. 65, [Sch. 16 para. 47\(2\)](#)
- F11** S. 12(2A)-(2E) omitted (with effect as mentioned in [Sch. 16 paras. 85, 105](#) of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), s. 65, [Sch. 16 para. 47\(3\)](#)
- F12** S. 12(2A)-(2G) inserted (6.4.2006) by [Finance Act 2006 \(c. 25\)](#), s. 160, [Sch. 22 paras. 2, 12](#)
- F13** S. 12(2F)(b) and preceding word omitted (with effect as mentioned in [Sch. 16 paras. 85, 105](#) of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), s. 65, [Sch. 16 para. 50\(2\)](#)
- F14** Words in s. 12(2G) substituted (15.9.2016) by [Finance Act 2016 \(c. 24\)](#), [s. 94\(3\)](#)
- F15** Words in s. 12(2G) omitted (with effect as mentioned in [Sch. 16 paras. 85, 105](#) of the amending Act) by virtue of [Finance Act 2011 \(c. 11\)](#), s. 65, [Sch. 16 para. 50\(3\)\(a\)](#)
- F16** Words in s. 12(2G) substituted (with effect as mentioned in [Sch. 16 paras. 85, 105](#) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), s. 65, [Sch. 16 para. 50\(3\)\(b\)](#)
- F17** S. 12(3)(4) repealed (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), [ss. 203\(2\)\(b\)](#), 284, 326, [Sch. 42 Pt. 3](#) (with [Sch. 36](#))

#### [<sup>F18</sup>12A Pension drawdown fund not used up: no deemed disposition

- (1) Where a person has a drawdown fund, section 3(3) above does not apply in relation to any omission that results in the fund not being used up in the person's lifetime.
- (2) For the purposes of subsection (1) above, a person has a drawdown fund if the person has—
- (a) a member's drawdown pension fund,
  - (b) a member's flexi-access drawdown fund,
  - (c) a dependant's drawdown pension fund,
  - (d) a dependant's flexi-access drawdown fund,
  - (e) a nominee's flexi-access drawdown fund, or
  - (f) a successor's flexi-access drawdown fund, and
- in respect of a money purchase arrangement under a registered pension scheme.
- (3) For the purposes of subsection (1) above, a person also has a drawdown fund if sums or assets held for the purposes of a money purchase arrangement under a corresponding scheme would, if that scheme were a registered pension scheme, be the person's—
- (a) member's drawdown pension fund,
  - (b) member's flexi-access drawdown fund,

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- (c) dependant's drawdown pension fund,
  - (d) dependant's flexi-access drawdown fund,
  - (e) nominee's flexi-access drawdown fund, or
  - (f) successor's flexi-access drawdown fund,
- in respect of the arrangement.

(4) In this section—

“corresponding scheme” means—

- (a) a qualifying non-UK pension scheme (see section 271A below), or
- (b) a section 615(3) scheme that is not a registered pension scheme;

“money purchase arrangement” has the same meaning as in Part 4 of the Finance Act 2004 (see section 152 of that Act);

“member's drawdown pension fund”, “member's flexi-access drawdown fund”, “dependant's drawdown pension fund”, “dependant's flexi-access drawdown fund”, “nominee's flexi-access drawdown fund” and “successor's flexi-access drawdown fund” have the meaning given, respectively, by paragraphs 8, 8A, 22, 22A, 27E and 27K of Schedule 28 to that Act.]

#### Textual Amendments

**F18** S. 12A inserted (with effect in accordance with s. 94(5) of the amending Act) by [Finance Act 2016](#) (c. 24), s. 94(4)

### 13 Dispositions by close companies for benefit of employees.

- (1) A disposition of property made to trustees by a close company whereby the property is to be held on trusts of the description specified in section 86(1) below is not a transfer of value if the persons for whose benefit the trusts permit the property to be applied include all or most of either—
- (a) the persons employed by or holding office with the company, or
  - (b) the persons employed by or holding office with the company or any one or more subsidiaries of the company.
- (2) Subsection (1) above shall not apply if the trusts permit any of the property to be applied at any time (whether during any such period as is referred to in section 86(1) below or later) for the benefit of—
- (a) a person who is a participator in the company making the disposition, or
  - (b) any other person who is a participator in any close company that has made a disposition whereby property became comprised in the same settlement, being a disposition which but for this section would have been a transfer of value, or
  - (c) any other person who has been a participator in any such company as is mentioned in paragraph (a) or (b) above at any time after, or during the ten years before, the disposition made by that company, or
  - (d) any person who is connected with any person within paragraph (a), (b) or (c) above.
- (3) The participators in a company who are referred to in subsection (2) above do not include any participator who—
- (a) is not beneficially entitled to, or to rights entitling him to acquire, 5 per cent. or more of, or of any class of the shares comprised in, its issued share capital, and

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- (b) on a winding-up of the company would not be entitled to 5 per cent. or more of its assets.
- (4) In determining whether the trusts permit property to be applied as mentioned in subsection (2) above, no account shall be taken—
- (a) of any power to make a payment which is the income of any person for any of the purposes of income tax, or would be the income for any of those purposes of a person not resident in the United Kingdom if he were so resident, or
- (b) if the trusts are those of a profit sharing scheme approved under [<sup>F19</sup>Schedule 9 to the <sup>M1</sup>Taxes Act 1988], of any power to appropriate shares in pursuance of the scheme [<sup>F20</sup>; or].
- [<sup>F20</sup>(c) if the trusts are those of [<sup>F21</sup>a share incentive plan approved under Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003] , of any power to appropriate shares to, or acquire shares on behalf of, individuals under the plan.]
- (5) In this section—
- “close company” and “participator” have the same meanings as in Part IV of this Act;
- “ordinary shares” means shares which carry either—
- (a) a right to dividends not restricted to dividends at a fixed rate, or
- (b) a right to conversion into shares carrying such a right as is mentioned in paragraph (a) above,
- “subsidiary” has [<sup>F22</sup>the meaning given by section [<sup>F23</sup>1159 of and Schedule 6 to]] the [<sup>F24</sup>Companies Act [<sup>F25</sup>2006]]; and references in subsections (2) and (3) above to a participator in a company shall, in the case of a company which is not a close company, be construed as references to a person who would be a participator in the company if it were a close company.

#### Textual Amendments

- F19** *Substituted by* Income and Corporation Taxes Act 1988 (c. 1. SIF 63:1), Sch. 29, para. 32. *Originally* “the Finance Act 1978”.
- F20** S. 13(4)(c) and the word “or” immediately preceding it inserted (28.7.2000) by [2000 c. 17, s. 138\(2\)](#)
- F21** Words in s. 13(4)(c) substituted (with effect as mentioned in s. 723(1)(a)(b) (subject to Sch. 7) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\), ss. 722, 723\(1\), Sch. 6 para. 151\(1\)\(a\)\(2\)](#)
- F22** Companies Act 1989 s. 144(4) and Sch. 18 para. 30(2), with effect from the appointed day—on and after 1 November 1990 (S.I. 1990 No. 1392). *Originally* “the same meaning as in”.
- F23** Words in s. 13(5) substituted (1.10.2009) by [The Companies Act 2006 \(Consequential Amendments\) \(Taxes and National Insurance\) Order 2009 \(S.I. 2009/1890\), art. 4\(1\)\(f\)](#)
- F24** [Companies Consolidation \(Consequential Provisions\) Act 1985 \(c. 9, SIF 27\), Sch. 2](#), with effect from 1 July 1985. *Originally* “Companies Act 1948”.
- F25** Words in s. 13(5) substituted (1.10.2009) by [The Companies Act 2006 \(Consequential Amendments\) \(Taxes and National Insurance\) Order 2009 \(S.I. 2009/1890\), art. 4\(1\)\(f\)](#)

#### Marginal Citations

- M1** [1988 c. 1.](#)

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### [<sup>F26</sup>13A Dispositions by close companies to employee-ownership trusts

- (1) A disposition of property made to trustees by a close company (“C”) whereby the property is to be held on trusts of the description specified in section 86(1) is not a transfer of value if—
  - (a) C meets the trading requirement,
  - (b) the trusts are of a settlement which meets the all-employee benefit requirement, and
  - (c) the settlement does not meet the controlling interest requirement immediately before the beginning of the tax year in which the disposition of property occurs but does meet it at the end of that year.
- (2) Sections 236I, 236J, 236K, 236M and 236T (but not 236L) of the 1992 Act apply to determine whether—
  - (a) C meets the trading requirement;
  - (b) the settlement meets the all-employee benefit requirement;
  - (c) the settlement meets the controlling interest requirement;with references in those sections to “C” being read accordingly.
- (3) In this section—

“close company” has the same meaning as in Part 4 of this Act;

“tax year” means a year beginning on 6 April and ending on the following 5 April.]

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#### Textual Amendments

- F26** S. 13A inserted (with effect in accordance with Sch. 37 para. 10(2) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 37 para. 10\(1\)](#)

### 14 Waiver of remuneration.

- (1) Subject to subsection (2) below, the waiver or repayment of an amount of remuneration is not a transfer of value if, apart from the waiver or repayment, that amount [<sup>F27</sup>would be earnings, or would be treated as earnings, and would constitute employment income (see section 7(2)(a) or (b) of the Income Tax (Earnings and Pensions) Act 2003)] .
- (2) Where, apart from the waiver or repayment, the amount of the remuneration would be allowable as a deduction in computing for the purposes of income tax or corporation tax the profits or gains or losses of the person by whom it is payable or paid, this section shall apply only if, by reason of the waiver or repayment, it is not so allowed or is otherwise brought into charge in computing those profits or gains or losses.

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#### Textual Amendments

- F27** Words in s. 14(1) substituted (with effect as mentioned in s. 723(1)(a)(b) (subject to Sch. 7) of the amending Act) by [Income Tax \(Earnings and Pensions\) Act 2003 \(c. 1\)](#), ss. 722, 723(1), [Sch. 6 para. 152](#)

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**15 Waiver of dividends.**

A person who waives any dividend on shares of a company within twelve months before any right to the dividend has accrued does not by reason of the waiver make a transfer of value.

**16 Grant of tenancies of agricultural property.**

- (1) The grant of a tenancy of agricultural property in the United Kingdom, the Channel Islands or the Isle of Man for use for agricultural purposes is not a transfer of value by the grantor if he makes it for full consideration in money or money's worth.
- (2) Expressions used in subsection (1) above and in Chapter II of Part V of this Act have the same meaning in that subsection as in that Chapter.

**17 Changes in distribution of deceased's estate, etc.**

None of the following is a transfer of value—

- (a) a variation or disclaimer to which section 142(1) below applies;
- (b) a transfer to which section 143 below applies;
- <sup>F28</sup>(c) .....
- (d) the renunciation of a claim to legitim [<sup>F29</sup>or rights under section 131 of the Civil Partnership Act 2004] within the period mentioned in section 147(6) below.

**Textual Amendments**

**F28** S. 17(c) omitted (1.10.2014) by virtue of [Inheritance and Trustees' Powers Act 2014 \(c. 16\)](#), s. 12(2), [Sch. 4 para. 4\(a\)](#) (with s. 12(4)); S.I. 2014/2039, art. 2

**F29** Words in s. 17(d) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), [6\(b\)](#)



**Changes to legislation:**

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