



Inheritance Tax Act 1984

1984 CHAPTER 51

PART IV

CLOSE COMPANIES

Settled property

99 Transfers where participators are trustees.

- (1) Subsection (1) of section 94 above shall not apply in relation to a person who is a participator in his capacity as trustee of a settlement, but—
- (a) the reference in subsection (2) of that section to sub-section (1) shall have effect as including a reference to subsection (2) of this section, and
 - (b) in relation to tax chargeable by virtue of subsection (2) of this section, sections 94(4) and 95 above shall apply with the necessary modifications.
- (2) Where any part of the value transferred by a close company's transfer of value is apportioned to a trustee of a settlement under section 94 above, then—
- (a) if a qualifying interest in possession subsists in the settled property, a part of that interest corresponding to such part of the property as is of a value equal to the part so apportioned less the amount specified in subsection (3) below shall be treated for the purposes of Chapter II of Part III of this Act as having come to an end on the making of the transfer, and
 - (b) if no qualifying interest in possession subsists in the settled property, Chapter III of Part III of this Act shall have effect as if on the making of the transfer the trustee had made a disposition as a result of which the value of the settled property had been reduced by an amount equal to the part so apportioned less the amount specified in subsection (3) below;

and where a qualifying interest in possession subsists in part only of the settled property paragraphs (a) and (b) above shall apply with the necessary adjustments of the values and amounts referred to there.

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- (3) The amount referred to in paragraphs (a) and (b) of subsection (2) above is the amount (if any) by which the value of the settled property is more than it would be apart from the company's transfer, leaving out of account the value of any rights or interests in the company.

100 Alterations of capital, etc. where participators are trustees.

- (1) This section applies where, by virtue of section 98 above, an alteration in a close company's share or loan capital or of any rights attaching to shares in or debentures of a close company is treated as a disposition made by the participators, and—
- (a) a person is a participator in his capacity as trustee of a settlement, and
 - (b) the disposition would, if the trustee were beneficially entitled to the settled property, be a transfer of value made by him, and
 - (c) at the time of the alteration an individual is beneficially entitled to an interest in possession in the whole or part of so much of the settled property as consists of [^{F1}unquoted shares in or unquoted securities of the close company].

[^{F2}(1A) Where the interest in possession is one to which the individual became beneficially entitled on or after 22nd March 2006, this section applies only if the interest in possession is—

- (a) an immediate post-death interest,
- (b) a disabled person's interest, or
- (c) a transitional serial interest,

[^{F3}or falls within section 5(1B) above.]]

- (2) Where this section applies, such part of the individual's interest shall be treated for the purposes of Chapter II of Part III of this Act as having come to an end at the time of the alteration as corresponds to the relevant decrease of the value of the property in which the interest subsists, that is to say the decrease caused by the alteration.

Textual Amendments

- F1** Finance Act 1987 Sch. 8 para. 3, *with effect from 17 March 1987. Originally* "shares in or securities of the close company which are not quoted on a recognised stock exchange".
- F2** S. 100(1A) inserted (22.3.2006) by Finance Act 2006 (c. 25), s. 156, Sch. 20 paras. 7, 25
- F3** Words in s. 100(1A) inserted (with effect as mentioned in s. 53(10) of the amending Act) by Finance Act 2010 (c. 13), s. 53(6)

101 Companies interests in settled property.

- (1) Where a close company is entitled to an interest in possession in settled property the persons who are participators in relation to the company shall be treated for the purposes of this Act (except section 55) as being the persons entitled to that interest according to their respective rights and interests in the company.

[^{F4}(1A) Where the interest in possession mentioned in subsection (1) above is one to which the company became entitled on or after 22nd March 2006 (whether or not the company was a close company when it became entitled to the interest), subsection (1) above applies in relation to the interest only if it is—

- (a) an immediate post-death interest, or

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- (b) a transitional serial interest,
[^{F5}or falls within section 5(1B) above.]
- (1B) Subsection (1C) below applies where any of the participators mentioned in subsection (1) above (“the prior participator”) disposes of rights and interests of his in the company to another person (“the later participator”).
- (1C) If and so far as the later participator is a participator in the company by virtue of having any of the rights and interests disposed of, subsection (1) above is to be applied to him only as a participator in his own right (in particular, he is not to be treated by virtue of that subsection as having entitlement to the interest in possession as a result of disposal to him of entitlement that the prior participator was treated as having by virtue of that subsection, but this is without prejudice to the application of this Act in relation to the prior participator as the person making the disposal).]
- (2) Where—
- (a) the participators mentioned in subsection (1) above include the trustees of a settlement, and
- (b) a person is beneficially entitled to an interest in possession in the whole or part of the settled property by virtue of which the trustees are participators, that person shall be treated for the said purposes as beneficially entitled to the whole or corresponding part of the interest to which the trustees would otherwise be treated as entitled under that subsection.

Textual Amendments

- F4** S. 101(1A)-(1C) inserted (22.3.2006) by [Finance Act 2006 \(c. 25\)](#), s. 156, Sch. 20 paras. 7, 26
- F5** Words in s. 101(1A) inserted (with effect as mentioned in s. 53(10) of the amending Act) by [Finance Act 2010 \(c. 13\)](#), s. 53(7)

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