Inheritance Tax Act 1984

1984 CHAPTER 51

PART III

SETTLED PROPERTY

CHAPTER III

SETTLEMENTS WITHOUT INTERESTS IN POSSESSION [\(^1\), AND CERTAIN SETTLEMENTS IN WHICH INTERESTS IN POSSESSION SUBSIST]

Rates of principal charge

68 Rate before first ten-year anniversary.

(1) The rate at which tax is charged under section 65 above on an occasion preceding the first ten-year anniversary after the settlement’s commencement shall be the appropriate fraction of the effective rate at which tax would be charged on the value transferred by a chargeable transfer of the description specified in subsection (4) below (but subject to subsection (6) below).

(2) For the purposes of this section the appropriate fraction is three tenths multiplied by so many fortieths as there are complete successive quarters in the period beginning with the day on which the settlement commenced and ending with the day before the occasion of the charge, but subject to subsection (3) below.

(3) Where the whole or part of the amount on which tax is charged is attributable to property which was not relevant property, or was not comprised in the settlement, throughout the period referred to in subsection (2) above, then in determining the appropriate fraction in relation to that amount or part—

(a) no quarter which expired before the day on which the property became, or last became, relevant property comprised in the settlement shall be counted, but

(b) if that day fell in the same quarter as that in which the period ends, that quarter shall be counted whether complete or not.
(4) The chargeable transfer postulated in subsection (1) above is one—
   (a) the value transferred by which is equal to an amount determined in accordance
       with subsection (5) below;
   (b) which is made at the time of the charge to tax under section 65 by a transferor
       who has in the period of seven years ending with the day of the occasion
       of the charge made chargeable transfers having an aggregate value equal to
       that of any chargeable transfers made by the settlor in the period of seven years ending with the day on which the settlement commenced, disregarding
       transfers made on that day or before 27th March 1974; and
   (c) on which tax is charged in accordance with section 7(2) of this Act.

(5) The amount referred to in subsection (4)(a) above is equal to the aggregate of—
   (a) the value, immediately after the settlement commenced, of the relevant property then comprised in it;
   (b) the value, immediately after a related settlement commenced, of the relevant property then comprised in it;
   (c) the value, immediately after it became comprised in the settlement, of property which—
      (i) became comprised in the settlement after the settlement commenced
          and before the occasion of the charge under section 65 above, and
      (ii) was relevant property immediately after it became so comprised,
          whether or not the property has remained relevant property comprised in the settlement;
   (d) the value, at the time it became (or last became) relevant property, of property which—
      (i) was comprised in the settlement immediately after the settlement commenced
          and was not then relevant property but became relevant property before the occasion of the charge under section 65 above, or
      (ii) became comprised in the settlement after the settlement commenced
          and before the occasion of the charge under section 65 above, and
          was not relevant property immediately after it became comprised in the settlement, but became relevant property before the occasion of
          the charge under that section,
          whether or not the property has remained relevant property comprised in the settlement;
   (e) the value of any same-day addition; and
   (f) where—
      (i) an increase in the value of the property comprised in another
          settlement is represented by the value of a same-day addition
          aggregated under paragraph (e) above, and
      (ii) that other settlement is not a related settlement,
          the value immediately after that other settlement commenced of the relevant property then comprised in that other settlement.

(6) Where the settlement commenced before 27th March 1974, subsection (1) above shall have effect with the substitution of a reference to three tenths for the reference to the appropriate fraction; and in relation to such a settlement the chargeable transfer postulated in that subsection is one—
(a) the value transferred by which is equal to the amount on which tax is charged under section 65 above;

(b) which is made at the time of that charge to tax by a transferor who has in the period of [F8 seven] years ending with the day of the occasion of the charge made chargeable transfers having an aggregate value equal to the aggregate of—

(i) any amounts on which any charges to tax have been imposed under section 65 above in respect of the settlement in [F9 the period of ten years ending with that day]; and

(ii) the amounts of any distribution payments (determined in accordance with the rules applicable under paragraph 11 of Schedule 5 to the Finance Act 1975) made out of the settled property before 9th March 1982 (or, where paragraph 6, 7 or 8 of Schedule 15 to the Finance Act 1982 applied, 1st April 1983, or, as the case may be, 1st April 1984) and within the said period of ten years; and

[F10(c) on which tax is charged in accordance with section 7(2) of this Act.]
**Changes to legislation:**
There are currently no known outstanding effects for the Inheritance Tax Act 1984, Section 68.