



Inheritance Tax Act 1984

1984 CHAPTER 51

PART III

SETTLED PROPERTY

CHAPTER III

SETTLEMENTS WITHOUT INTERESTS IN POSSESSION [^{F1}, AND CERTAIN SETTLEMENTS IN WHICH INTERESTS IN POSSESSION SUBSIST]

Special cases—charges to tax

71 Accumulation and maintenance trusts.

- (1) Subject to [^{F1}subsections (1A) to](2) below, this section applies to settled property if—
- (a) one or more persons (in this section referred to as beneficiaries) will, on or before attaining a specified age not exceeding [^{F2}eighteen] , become beneficially entitled to it [^{F3}. . . , and
 - (b) no interest in possession subsists in it and the income from it is to be accumulated so far as not applied for the maintenance, education or benefit of a beneficiary.

[^{F4}(1A) This section does not apply to settled property at any particular time on or after 22nd March 2006 unless this section—

- (a) applied to the settled property immediately before 22nd March 2006, and
- (b) has applied to the settled property at all subsequent times up to the particular time.

(1B) This section does not apply to settled property at any particular time on or after 22nd March 2006 if, at that time, section 71A below applies to the settled property.]

- (2) This section does not apply to settled property unless either—

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- (a) not more than twenty-five years have elapsed since the commencement of the settlement or, if it was later, since the time (or latest time) when the conditions stated in paragraphs (a) and (b) of subsection (1) above became satisfied with respect to the property, or
 - (b) all the persons who are or have been beneficiaries are or were either—
 - (i) grandchildren of a common grandparent, or
 - (ii) children, widows or widowers [^{F5}or surviving civil partners] of such grandchildren who were themselves beneficiaries but died before the time when, had they survived, they would have become entitled as mentioned in subsection (1)(a) above.
- (3) Subject to subsections (4) and (5) below, there shall be a charge to tax under this section—
- (a) where settled property ceases to be property to which this section applies, and
 - (b) in a case in which paragraph (a) above does not apply, where the trustees make a disposition as a result of which the value of settled property to which this section applies is less than it would be but for the disposition.
- (4) Tax shall not be charged under this section—
- (a) on a beneficiary's becoming beneficially entitled to, or to an interest in possession in, settled property on or before attaining the specified age, or
 - (b) on the death of a beneficiary before attaining the specified age.
- (5) Subsections (3) to (8) and (10) of section 70 above shall apply for the purposes of this section as they apply for the purposes of that section (with the substitution of a reference to subsection (3)(b) above for the reference in section 70(4) to section 70(2)(b)).
- (6) Where the conditions stated in paragraphs (a) and (b) of subsection (1) above were satisfied on 15th April 1976 with respect to property comprised in a settlement which commenced before that day, subsection (2)(a) above shall have effect with the substitution of a reference to that day for the reference to the commencement of the settlement, and the condition stated in subsection (2)(b) above shall be treated as satisfied if—
- (a) it is satisfied in respect of the period beginning with 15th April 1976, or
 - (b) it is satisfied in respect of the period beginning with 1st April 1977 and either there was no beneficiary living on 15th April 1976 or the beneficiaries on 1st April 1977 included a living beneficiary, or
 - (c) there is no power under the terms of the settlement whereby it could have become satisfied in respect of the period beginning with 1st April 1977, and the trusts of the settlement have not been varied at any time after 15th April 1976.
- (7) In subsection (1) above “persons” includes unborn persons; but the conditions stated in that subsection shall be treated as not satisfied unless there is or has been a living beneficiary.
- (8) For the purposes of this section a person's children shall be taken to include his illegitimate children, his adopted children and his stepchildren.

Textual Amendments

F1 Words in s. 71(1) substituted (22.3.2006) by Finance Act 2006 (c. 25), s. 156, Sch. 20 para. 2(2)(6)

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- F2** Word in s. 71(1)(a) substituted (6.4.2008 in accordance with Sch. 20 para. 3(2) of the amending Act) by Finance Act 2006 (c. 25), s. 156, **Sch. 20 para. 3(1)(a)**
- F3** Words in s. 71(1)(a) repealed (6.4.2008 in accordance with Sch. 20 para. 3(2) of the amending Act) by Finance Act 2006 (c. 25), s. 156, Sch. 20 para. 3(1)(b), **Sch. 26 Pt. 6**
- F4** S. 71(1A)(1B) inserted (22.3.2006) by Finance Act 2006 (c. 25), s. 156, **Sch. 20 para. 2(3)(6)**
- F5** Words in s. 71(2)(b)(ii) inserted (5.12.2005) by The Tax and Civil Partnership Regulations 2005 (S.I. 2005/3229), regs. 1(1), **16**

Modifications etc. (not altering text)

- C1** S. 71 excluded (19.7.2006) by Finance Act 2006 (c. 25), s. 156, **Sch. 20 para. 3(3)**
- C2** S. 71 modified (22.3.2006) by Finance Act 2006 (c. 25), s. 156, **Sch. 20 para. 2(5)(6)**

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