



Inheritance Tax Act 1984

1984 CHAPTER 51

PART III

SETTLED PROPERTY

CHAPTER IV

MISCELLANEOUS

89 Trusts for disabled persons.

- (1) This section applies to settled property transferred into settlement after 9th March 1981 and held on trusts—
 - (a) under which, during the life of a disabled person, no interest in possession in the settled property subsists, and
 - [^{F1}(b) which secure that, if any of the settled property or income arising from it is applied during the disabled person's life for the benefit of a beneficiary, it is applied for the benefit of the disabled person.]
- (2) For the purposes of this Act the person mentioned in subsection (1) above shall be treated as beneficially entitled to an interest in possession in the settled property.
- [^{F2}(3) The trusts on which the settled property is held are not to be treated as falling outside subsection (1) by reason only of—
 - (a) the trustees' having powers that enable them to apply otherwise than for the benefit of the disabled person amounts (whether consisting of income or capital, or both) not exceeding the annual limit,
 - (b) the trustees' having the powers conferred by section 32 of the Trustee Act 1925 (powers of advancement),
 - (c) the trustees' having those powers but free from, or subject to a less restrictive limitation than, the limitation imposed by proviso (a) of subsection (1) of that section,

Changes to legislation: There are currently no known outstanding effects for the Inheritance Tax Act 1984, Section 89. (See end of Document for details)

- (d) the trustees' having the powers conferred by section 33 of the Trustee Act (Northern Ireland) 1958 (corresponding provision for Northern Ireland),
 - (e) the trustees' having those powers but free from, or subject to a less restrictive limitation than, the limitation imposed by subsection (1)(a) of that section, or
 - (f) the trustees' having powers to the like effect as the powers mentioned in any of paragraphs (b) to (e).
- (3A) For the purposes of this section, the “annual limit” is whichever is the lower of the following amounts—
- (a) £3,000, and
 - (b) 3% of the amount that is the maximum value of the settled property during the period in question.
- (3B) For those purposes the annual limit applies in relation to each period of 12 months that begins on 6 April.
- (3C) The Treasury may by order made by statutory instrument—
- (a) specify circumstances in which subsection (3)(a) is, or is not, to apply in relation to a trust, and
 - (b) amend the definition of “the annual limit” in subsection (3A).
- (3D) An order under subsection (3C) may—
- (a) make different provision for different cases, and
 - (b) contain transitional and saving provision.
- (3E) A statutory instrument containing an order under subsection (3C) may not be made unless a draft of the instrument has been laid before, and approved by a resolution of, the House of Commons.]
- (4) The reference in subsection (1) above to a disabled person is, in relation to any settled property, a reference to a person who, when the property was transferred into settlement, [^{F3}was a disabled person].
- [^{F4}(4A) In this section “disabled person” has the meaning given by Schedule 1A to the Finance Act 2005.]

Textual Amendments

- F1** S. 89(1)(b) substituted (with effect in accordance with Sch. 44 para. 9 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 44 para. 6\(2\)](#) (with [Sch. 44 para. 9\(2\)](#))
- F2** S. 89(3)-(3E) substituted for s. 89(3) (with effect in accordance with Sch. 44 para. 9 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 44 para. 6\(3\)](#) (with [Sch. 44 para. 9\(2\)](#))
- F3** Words in s. 89(4) substituted (with effect in accordance with Sch. 44 para. 9 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 44 para. 6\(4\)](#)
- F4** S. 89(4A) substituted for s. 89(5)(6) (with effect in accordance with Sch. 44 para. 9 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 44 para. 6\(5\)](#)

Changes to legislation:

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