



Finance Act 2002

2002 CHAPTER 23

PART 5

OTHER TAXES

Inheritance tax

118 IHT: rate bands

(1) For the Table in Schedule 1 to the Inheritance Tax Act 1984 (c. 51) substitute—

“Table of Rates of Tax

| <i>Portion of value</i> | | <i>Rate of tax</i> |
|-------------------------|------------------------|--------------------|
| Lower limit (£) | Upper limit (£) | Per cent. |
| 0 | 250,000 | Nil |
| 250,000 | | 40” |

(2) Subsection (1) shall apply to any chargeable transfer made on or after 6th April 2002; and section 8(1) of that Act (indexation of rate bands) shall not have effect as respects any difference between the retail prices index for the month of September 2000 and that for the month of September 2001.

119 IHT: powers over, or exercisable in relation to, settled property or a settlement

(1) The Inheritance Tax Act 1984 is amended in accordance with the following provisions of this section.

(2) After section 47 (meaning of “reversionary interest”) insert—

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Changes to legislation: There are currently no known outstanding effects for the Finance Act 2002, Cross Heading: Inheritance tax. (See end of Document for details)

“47A Settlement power

In this Act “settlement power” means any power over, or exercisable (whether directly or indirectly) in relation to, settled property or a settlement.”.

(3) After section 55 (reversionary interest acquired by beneficiary) insert—

“55A Purchased settlement powers

(1) Where a person makes a disposition by which he acquires a settlement power for consideration in money or money’s worth—

- (a) section 10(1) above shall not apply to the disposition;
- (b) the person shall be taken for the purposes of this Act to make a transfer of value;
- (c) the value transferred shall be determined without bringing into account the value of anything which the person acquires by the disposition; and
- (d) sections 18 and 23 to 27 above shall not apply in relation to that transfer of value.

(2) For the purposes of this section, a person acquires a settlement power if he becomes entitled—

- (a) to a settlement power,
- (b) to exercise, or to secure or prevent the exercise of, a settlement power (whether directly or indirectly), or
- (c) to restrict, or secure a restriction on, the exercise of a settlement power (whether directly or indirectly),

as a result of transactions which include a disposition (whether to him or another) of a settlement power or of any power of a kind described in paragraph (b) or (c) above which is exercisable in relation to a settlement power.”.

(4) In section 272 (general interpretation)—

- (a) insert the following definition at the appropriate place—
 ““settlement power” has the meaning given by section 47A above;”;
- and
- (b) in the definition of “property”, at the end insert “ but does not include a settlement power ”.

(5) In consequence of the amendments made by this section, the title of Chapter 2 of Part 3 of the Inheritance Tax Act 1984 (c. 51) becomes “Interests in possession, reversionary interests and settlement powers”.

(6) The amendments made by this section have effect in relation to transfers of value on or after 17th April 2002.

(7) The amendments made by subsections (2) and (4) shall also be deemed always to have had effect (subject to and in accordance with the other provisions of the Inheritance Tax Act 1984) for the purpose of determining the value, immediately before his death, of the estate of any person who died before 17th April 2002, for the purposes of the

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transfer of value which that person is treated by section 4(1) of that Act as having made immediately before his death.

120 IHT: variation of dispositions taking effect on death

(1) In section 142 of the Inheritance Tax Act 1984 (alteration of dispositions taking effect on death), for subsection (2) (election to treat subsequent variation of dispositions taking effect on death as if effected by deceased) substitute—

“(2) Subsection (1) above shall not apply to a variation unless the instrument contains a statement, made by all the relevant persons, to the effect that they intend the subsection to apply to the variation.

(2A) For the purposes of subsection (2) above the relevant persons are—

- (a) the person or persons making the instrument, and
- (b) where the variation results in additional tax being payable, the personal representatives.

Personal representatives may decline to make a statement under subsection (2) above only if no, or no sufficient, assets are held by them in that capacity for discharging the additional tax.”.

(2) After section 218 of that Act insert—

“218A Instruments varying dispositions taking effect on death

(1) Where—

- (a) an instrument is made varying any of the dispositions of the property comprised in the estate of a deceased person immediately before his death,
- (b) the instrument contains a statement under subsection (2) of section 142 above, and
- (c) the variation results in additional tax being payable,

the relevant persons (within the meaning of that subsection) shall, within six months after the day on which the instrument is made, deliver a copy of it to the Board and notify them of the amount of the additional tax.

(2) To the extent that any of the relevant persons comply with the requirements of this section, the others are discharged from the duty to comply with them.”.

(3) In section 245A of that Act (failure to provide information etc)—

(a) after subsection (1) insert—

“(1A) A person who fails to comply with the requirements of section 218A above shall be liable—

- (a) to a penalty not exceeding £100; and
- (b) to a further penalty not exceeding £60 for every day after the day on which the failure has been declared by a court or the Special Commissioners and before the day on which the requirements are complied with.”.

(b) in subsection (4), insert “ (1A)(b), ” after “subsection (1)(b),” and after paragraph (a) insert—

“(aa) he complies with the requirements of section 218A above,”.

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(4) This section applies in relation to instruments made on or after 1st August 2002.

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