

*Status: Point in time view as at 22/03/2006.*

**Changes to legislation:** *There are currently no known outstanding effects for the Finance Act 2006, Cross Heading: Distributions within two years of person's death out of property settled by his will. (See end of Document for details)*

## SCHEDULES

### SCHEDULE 20

#### INHERITANCE TAX: RULES FOR TRUSTS ETC

#### PART 3

#### RELATED AMENDMENTS IN IHTA 1984

*Distributions within two years of person's death out of property settled by his will*

- 27 (1) Section 144 of IHTA 1984 (distribution etc from property settled by will) is amended as follows.
- (2) In subsection (1)—
- (a) for “This section applies” substitute “ Subsection (2) below applies ”, and
  - (b) in paragraph (a), for “(apart from this section)” substitute “ (apart from subsection (2) below) ”.
- (3) After subsection (1) insert—
- “(1A) Where the testator dies on or after 22nd March 2006, subsection (1) above shall have effect as if the reference to any interest in possession were a reference to any interest in possession that is—
- (a) an immediate post-death interest, or
  - (b) a disabled person's interest.”
- (4) In subsection (2), for “this section” (in both places) substitute “ this subsection ”.
- (5) After subsection (2) insert—
- “(3) Subsection (4) below applies where—
- (a) a person dies on or after 22nd March 2006,
  - (b) property comprised in the person's estate immediately before his death is settled by his will, and
  - (c) within the period of two years after his death, but before an immediate post-death interest or a disabled person's interest has subsisted in the property, there occurs an event that involves causing the property to be held on trusts that would, if they had in fact been established by the testator's will, have resulted in—
- (i) an immediate post-death interest subsisting in the property, or
  - (ii) section 71A or 71D above applying to the property.
- (4) Where this subsection applies by virtue of an event—

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- (a) this Act shall have effect as if the will had provided that on the testator's death the property should be held as it is held after the event, but
  - (b) tax shall not be charged on that event under any provision of Chapter 3 of Part 3 of this Act.
- (5) Subsection (4) above also applies where—
- (a) a person dies before 22nd March 2006,
  - (b) property comprised in the person's estate immediately before his death is settled by his will,
  - (c) an event occurs—
    - (i) on or after 22nd March 2006, and
    - (ii) within the period of two years after the testator's death,that involves causing the property to be held on trusts within subsection (6) below,
  - (d) no immediate post-death interest, and no disabled person's interest, subsisted in the property at any time in the period beginning with the testator's death and ending immediately before the event, and
  - (e) no other interest in possession subsisted in the property at any time in the period beginning with the testator's death and ending immediately before 22nd March 2006.
- (6) Trusts are within this subsection if they would, had they in fact been established by the testator's will and had the testator died at the time of the event mentioned in subsection (5)(c) above, have resulted in—
- (a) an immediate post-death interest subsisting in the property, or
  - (b) section 71A or 71D above applying to the property.”

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