
*Changes to legislation: There are currently no known outstanding effects
for the Finance Act 2006, Part 4. (See end of Document for details)*

SCHEDULES

SCHEDULE 20

INHERITANCE TAX: RULES FOR TRUSTS ETC

PART 4

RELATED AMENDMENTS IN TCGA 1992

- 29 (1) TCGA 1992 is amended in accordance with the following paragraphs of this Part of this Schedule.
- (2) The following paragraphs of this Part of this Schedule shall be deemed to have come into force on 22nd March 2006.
- 30 (1) Section 72 (death of person entitled to an interest in possession) is amended as follows.
- (2) After subsection (1) insert—
- “(1A) Where the interest in possession mentioned in subsection (1) above is one to which the person becomes entitled on or after 22nd March 2006, the first sentence of that subsection applies in relation to that interest only if—
- (a) immediately before the person's death, the interest falls within subsection (1B) below, or
- (b) the person dies under the age of 18 years and, immediately before the person's death, section 71D of the Inheritance Tax Act 1984 (age 18-to-25 trusts) applies to the property in which the interest subsists.
- (1B) An interest falls within this subsection if—
- (a) the interest is—
- (i) an immediate post-death interest, within the meaning given by section 49A of the Inheritance Tax Act 1984,
- (ii) a transitional serial interest, within the meaning given by section 49B of that Act, or
- (iii) a disabled person's interest within section 89B(1)(c) or (d) of that Act, or
- (b) section 71A of that Act (trusts for bereaved minors) applies to the property in which the interest subsists.
- (1C) Subsection (1A) above does not have effect in relation to the operation of subsection (1) above as applied by subsection (2) below (but see subsection (2A) below).”
- (3) After subsection (2) insert—
- “(2A) Where the interest in possession mentioned in subsection (2) above is one to which the person becomes entitled on or after 22nd March 2006—

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- (a) subsection (2) above, and
 - (b) the first sentence of subsection (1) above as applied by subsection (2) above,

apply in relation to that interest only if, immediately before the person's death, the interest falls within subsection (1B)(a) above.”
- 31 In section 73 (no chargeable gain on deemed disposal under section 71(1) where person becomes absolutely entitled on death of person entitled to interest in possession), after subsection (2) insert—
 - “(2A) Where the interest in possession referred to in subsection (1) above is one to which the person becomes entitled on or after 22nd March 2006, subsections (1) and (2) above apply in relation to that interest only if—
 - (a) immediately before the person's death, the interest falls within section 72(1B), or
 - (b) the person dies under the age of 18 years and, immediately before the person's death, section 71D of the Inheritance Tax Act 1984 (age 18-to-25 trusts) applies to the property in which the interest subsists.”
- 32 In section 260(2) (disposals where gain may be held over), after paragraph (d) insert—
 - “(da) by virtue of subsection (2) of section 71B of that Act (trusts for bereaved minors) does not constitute an occasion on which inheritance tax is chargeable under that section,
 - (db) by virtue of subsection (2) of section 71E of that Act (age 18-to-25 trusts) does not constitute an occasion on which inheritance tax is charged under that section.”

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