
 STATUTORY INSTRUMENTS

1980 No. 1000

CAPITAL TRANSFER TAX

**The Capital Transfer Tax (Settled Property Income Yield)
Order 1980**

Made - - - - - 16th July 1980
Laid before the House of Commons 25th July 1980
Coming into Operation - - - 15th August 1980

The Treasury in exercise of the powers conferred on them by paragraph 3 of Schedule 5 to the Finance Act 1975(a) hereby make the following Order:—

1.—(1) This Order may be cited as the Capital Transfer Tax (Settled Property Income Yield) Order 1980.

(2) This Order shall have effect in relation to transfers of value made on or after 15th August 1980.

2. In this Order references to the “indices” are to the indices compiled jointly by the Financial Times, the Institute of Actuaries and the Faculty of Actuaries, and known as the “FT—Actuaries Share Indices”.

3.—(1) For the purposes of paragraph 3 of Schedule 5 to the Finance Act 1975, the higher and lower rates referred to in sub-paragraph (4) of that paragraph shall be the rates per annum equal to the designated rates of yield in the indices compiled for the date as at which the value in question is to be determined (or, if no indices are compiled for that date, in the indices for the latest earlier date for which indices are compiled).

(2) For the purposes of paragraph (1) above the designated rates of yield are—

- (a) for the higher rate, the Irredeemables' yield of the Fixed Interest Yields, and
- (b) for the lower rate, the gross dividend yield of the All-Share Index.

David Waddington,
J. A. Douglas-Hamilton,
 Two of the Lords Commissioners
 of Her Majesty's Treasury

16th July 1980.

EXPLANATORY NOTE

(This note is not part of the Order.)

This Order has effect in relation to certain transfers of value taking effect on or after 15th August 1980.

Under paragraph 3 of Schedule 5 to the Finance Act 1975 a person who is beneficially entitled to the income of settled property is treated for capital transfer tax purposes as beneficially entitled to the property itself. Where the income to which a person is entitled is a specified amount (e.g. an annuity), or the whole less a specified amount (e.g. an interest in possession subject to an annuity), the part of the settled property to be attributed to his interest is calculated by reference to the income yield of the property.

Under paragraph 3(4) the Treasury have power to prescribe higher and lower rates which operate as limits beyond which variations in the actual income yields are disregarded in the circumstances described in paragraphs 3(4)(a) and (b). The first Order, made in 1975 (S.I. 1975 No. 610), prescribed the higher and lower rates by reference to the FT—Actuaries Share Indices published in the Financial Times; it designated for the higher rate that of $2\frac{1}{2}$ per cent. Consols, and for the lower rate the gross dividend yield of the “All-Share Index”. The constituents of the fixed interest section of the FT—Actuaries Share Indices were changed on 16th May 1977, since when the yield of $2\frac{1}{2}$ per cent. Consols has not been separately included.

For the lower rate calculation, this Order continues the use of the gross dividend yield of the “All-Share Index” but for the higher rate calculation it prescribes the yield published for irredeemable British Government Stocks in the FT—Actuaries Share Indices. Details of the rates applicable will, as before, be obtainable from the Capital Taxes Office on working days between 9 a.m. and 5 p.m.; and the rates will continue to be determined by the indices for the date as at which the property has to be valued for the purposes of paragraph 3 (or, if there are no indices for that date, those for the latest earlier date).