STATUTORY INSTRUMENTS

2002 No. 1731

INHERITANCE TAX

The Inheritance Tax (Delivery of Accounts) (Excepted Transfers and Excepted Terminations) Regulations 2002

Made - - - -	*5th July 2002*
Laid before the House of Commons - - - -	*8th July 2002*
Coming into force - -	*1st August 2002*

The Commissioners of Inland Revenue, in exercise of the powers conferred on them by section 256(1)(a) of the Inheritance Tax Act 1984(**1**), hereby make the following Regulations:

Citation, commencement and effect

1. These Regulations may be cited as the Inheritance Tax (Delivery of Accounts) (Excepted Transfers and Excepted Terminations) Regulations 2002 and shall come into force on 1st August 2002.

Interpretation

2. In these Regulations—

"the Board" means the Commissioners of Inland Revenue;

"the 1984 Act" means the Inheritance Tax Act 1984;

"an excepted transfer" means a chargeable transfer made on or after 1st April 1981 which is a disposition by an individual, but not anything that is treated as a disposition for the purposes of inheritance tax, where—

(a) the value transferred by the chargeable transfer, together with the values transferred by any previous chargeable transfers made by the transferor during the period of twelve months ending with 5th April, does not exceed £10,000; and

(b) the aggregate of the values transferred by that and all previous chargeable transfers made by the transferor during the ten years preceding the transfer does not exceed £40,000;

(**1**) 1984 c. 51. By virtue of section 100(1) and (2) of the Finance Act 1986 (c. 41), on and after 25th July 1986 the Capital Transfer Tax Act 1984 may be cited as the Inheritance Tax Act 1984, and any reference in that Act to capital transfer tax is to have effect as a reference to inheritance tax, except where the reference relates to a liability to tax arising before 25th July 1986.

"an excepted termination" means the termination of an interest in possession in settled property where—

(a) the transferor has, in connection with the termination, given to the trustees of the settlement a notice under section 57(3) of the 1984 Act informing them of the availability of the exemption; and

(b) the value transferred in consequence of the termination does not exceed the amount of the exemption specified in the notice;

"value" means value for the purpose of tax.

Accounts

3. Notwithstanding anything in section 216 of the 1984 Act(**2**) no person shall be required to deliver to the Board an account of an excepted transfer or an excepted termination unless the Board so require by notice in writing issued to that person.

4. If any person who has not delivered an account in reliance on regulation 3 discovers at any time that the transfer is not an excepted transfer, or that the termination is not an excepted termination, the delivery to the Board within six months of that time of an account of that transfer or termination shall satisfy any requirement to deliver an account imposed on that person.

Discharge of trustees from tax

5. Subject to regulation 6 and unless within the period of six months beginning with the date of an excepted termination the Board issue a notice requiring an account of the property in which the interest subsisted, the trustees of the settlement shall at the expiration of that period be discharged from any claim for tax attributable to the value of that property.

6. Regulation 5 shall not discharge any person from tax in the case of fraud or failure to disclose material facts and shall not affect the liability to tax of any person other than the trustees of the settlement, or tax on any property other than that in which the interest subsisted.

Transfers reported late

7. Where no account of an excepted transfer is required by the Board, an account of that estate shall, for the purposes of section 264(8) of the 1984 Act (delivery of account to be treated as payment where tax rate nil), be treated as having been delivered 12 months after the end of the month in which that transfer is made.

Revocation

8. These Regulations revoke the Capital Transfer Tax (Delivery of Accounts) (No. 2) Regulations 1981(**3**).

(**2**) Section 216 was amended by paragraph 11 of Schedule 26 to the Finance Act 1985 (c. 54), section 101(3) of and paragraph 29 of Schedule 19 to the Finance Act 1986, section 96 of and paragraph 4 of Schedule 7 to the Finance (No. 2) Act 1987 (c. 51) and section 105 of the Finance Act 1999 (c. 16).

(**3**) S.I. 1981/1440.

Nick Montagu
Tim Flesher
5th July 2002 Two of the Commissioners of Inland Revenue

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations replace the Capital Transfer Tax (Delivery of Accounts (No. 2) Regulations 1981 (S.I.1981/1440) with only drafting amendments. The Regulations dispense with the need to deliver an account of lifetime transfers where the total value of an individual's transfers made in any one year does not exceed £10,000, and where his cumulative total does not exceed £40,000. The Regulations have effect in relation to lifetime transfers made on or after 1st April 1981.

The Regulations also dispense with the delivery of an account by trustees and discharge them from any liability to inheritance tax where the termination of an interest in possession in settled property is wholly covered by an annual or marriage gift exemption made available to the trustees.