



Inheritance Tax Act 1984

1984 CHAPTER 51

PART III

SETTLED PROPERTY

CHAPTER III

SETTLEMENTS WITHOUT INTERESTS IN POSSESSION [F1], AND CERTAIN SETTLEMENTS IN WHICH INTERESTS IN POSSESSION SUBSIST]

Miscellaneous

80 Initial interest of settlor or spouse [F1 or civil partner].

- (1) Where a settlor or his spouse [F2 or civil partner] is beneficially entitled to [F3 a qualifying interest in possession] in property immediately after it becomes comprised in the settlement, the property shall for the purposes of this Chapter be treated as not having become comprised in the settlement on that occasion; but when the property or any part of it becomes held on trusts under which neither of those persons is beneficially entitled to [F3 a qualifying interest in possession], the property or part shall for those purposes be treated as becoming comprised in a separate settlement made by that one of them who ceased (or last ceased) to be beneficially entitled to [F3 a qualifying interest in possession] in it.
- (2) References in subsection (1) above to the spouse [F4 or civil partner] of a settlor include references to the widow or widower [F5 or surviving civil partner] of a settlor.
- (3) This section shall not apply if the occasion first referred to in subsection (1) above occurred before 27th March 1974.
- [F6](4) Where the occasion first referred to in subsection (1) above occurs on or after 22nd March 2006, this section applies—

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- (a) as though for “^{F3}a qualifying interest in possession]” in each place where that appears in subsection (1) above there were substituted a postponing interest, and
- (b) as though, for the purposes of that subsection, each of the following were a “postponing interest”—
 - (i) an immediate post-death interest;
 - (ii) a disabled person's interest.]

Textual Amendments

- F1** Words in s. 80 sidenote inserted (5.12.2005) by virtue of [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **17(4)**
- F2** Words in s. 80(1) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **17(2)**
- F3** Words in s. 80 substituted (19.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), s. **13(1)(2)** (with s. 13(3)-(7))
- F4** Words in s. 80(2) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **17(3)(a)**
- F5** Words in s. 80(2) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **17(3)(b)**
- F6** S. 80(4) inserted (22.3.2006) by [Finance Act 2006 \(c. 25\)](#), s. 156, Sch. 20 paras. 7, 23

81 Property moving between settlements.

- (1) Where property which ceases to be comprised in one settlement becomes comprised in another then, unless in the meantime any person becomes beneficially entitled to the property (and not merely to an interest in possession in the property), it shall for the purposes of this Chapter be treated as remaining comprised in the first settlement.
- (2) Subsection (1) above shall not apply where the property ceased to be comprised in the first settlement before 10th December 1981; but where property ceased to be comprised in one settlement before 10th December 1981 and after 26th March 1974 and, by the same disposition, became comprised in another settlement, it shall for the purposes of this Chapter be treated as remaining comprised in the first settlement.
- (3) Subsection (1) above shall not apply where a reversionary interest in the property expectant on the termination of a qualifying interest in possession subsisting under the first settlement was settled on the trusts of the other settlement before 10th December 1981.

^{F7}81A Reversionary interests in relevant property

- (1) Where a reversionary interest in relevant property to which—
 - (a) a person who acquired it for a consideration in money or money's worth, or
 - (b) the settlor or the spouse or civil partner of the settlor,
 (a “relevant reversioner”) is beneficially entitled comes to an end by reason of the relevant reversioner becoming entitled to an interest in possession in the relevant property, the relevant reversioner is to be treated as having made a disposition of the reversionary interest at that time.

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- (2) A transfer of value of a reversionary interest in relevant property to which a relevant reversioner is beneficially entitled is to be taken to be a transfer which is not a potentially exempt transfer.]

Textual Amendments

- F7** S. 81A inserted (with effect as mentioned in s. 52(2) of the amending Act) by [Finance Act 2010 \(c. 13\), s. 52\(1\)](#)

82 Excluded property.

[^{F8}(1) In a case where, apart from this section, property to which section 80 or 81 applies would be excluded property by virtue of section 48(3)(a) above, that property shall not be taken to be excluded property at any time (“the relevant time”) for the purposes of this Chapter (except sections 78 and 79) unless Conditions A and B are satisfied.]

(2) Section 65(8) above shall not have effect in relation to property to which section 80 or 81 applies unless [^{F9}Condition A] below is satisfied (in addition to the condition in section 65(8) that the settlor was not domiciled in the United Kingdom when the settlement was made).

(3) [^{F10}Condition A] referred to in subsections (1) and (2) above is—

- (a) in the case of property to which section 80 above applies, that the person who is the settlor in relation to the settlement first mentioned in that section, and
- (b) in the case of property to which subsection (1) or (2) of section 81 above applies, that the person who is the settlor in relation to the second of the settlements mentioned in the subsection concerned,

was not domiciled in the United Kingdom when that settlement was made.

[^{F11}(4) Condition B referred to in subsection (1) above is—

- (a) in the case of property to which section 80 above applies, that the person who is the settlor in relation to the settlement first mentioned in that section, and
- (b) in the case of property to which subsection (1) or (2) of section 81 above applies, that the person who is the settlor in relation to the first or second of the settlements mentioned in that subsection,

was not a formerly domiciled resident for the tax year in which the relevant time falls.]

Textual Amendments

- F8** S. 82(1) substituted (with effect in accordance with s. 30(9)-(12) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), s. 30\(7\)\(a\)](#)
- F9** Words in s. 82(2) substituted (with effect in accordance with s. 30(9)-(12) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), s. 30\(7\)\(b\)](#)
- F10** Words in s. 82(3) substituted (with effect in accordance with s. 30(9)-(12) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), s. 30\(7\)\(c\)](#)
- F11** S. 82(4) inserted (with effect in accordance with s. 30(9)-(12) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), s. 30\(7\)\(d\)](#)

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83 Property becoming settled on a death.

Property which becomes comprised in a settlement in pursuance of a will or intestacy shall for the purposes of this Chapter be taken to have become comprised in it on the death of the testator or intestate (whether it occurred before or after the passing of this Act).

84 Income applied for charitable purposes.

For the purposes of this Chapter (except sections 78 and 79) where the trusts on which settled property is held require part of the income of the property to be applied for charitable purposes, a corresponding part of the settled property shall be regarded as held for charitable purposes.

85 Credit for annual charges under Finance Act 1975.

Any tax charged under paragraph 12(2) of Schedule 5 to the ^{M1}Finance Act 1975 and not already allowed as a credit under paragraph 12(3) of that Schedule or under section 125 of the ^{M2}Finance Act 1982 or under this section shall be allowed as a credit against tax chargeable under this Chapter (apart from section 79) in respect of the settled property or part concerned.

Marginal Citations

M1 1975 c. 7.

M2 1982 c. 39.

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