



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]

Principal charge to tax

64 Charge at ten-year anniversary.

[^{F1}(1)] Where immediately before a ten-year anniversary all or any part of the property comprised in a settlement is relevant property, tax shall be charged at the rate applicable under sections 66 and 67 below on the value of the property or part at that time.

[^{F2}(1A) For the purposes of subsection (1) above, property held by the trustees of a settlement immediately before a ten-year anniversary is to be regarded as relevant property comprised in the settlement at that time if—

- (a) it is income of the settlement,
- (b) the income arose before the start of the five years ending immediately before the ten-year anniversary,
- (c) the income arose (directly or indirectly) from property comprised in the settlement that, when the income arose, was relevant property, and
- (d) when the income arose, no person was beneficially entitled to an interest in possession in the property from which the income arose.

(1B) Where the settlor of [^{F3}property comprised in] a settlement was not domiciled in the United Kingdom at the time the [^{F4}property became comprised in the settlement (but see also subsection (1BA))][^{F5}and is not a formerly domiciled resident for the tax year

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in which the ten-year anniversary falls], income of the settlement [^{F6}that arose (directly or indirectly) from the property] is not to be regarded as relevant property comprised in the settlement as a result of subsection (1A) above so far as the income—

- (a) is situated outside the United Kingdom, or
- (b) is represented by a holding in an authorised unit trust or a share in an open-ended investment company.

[If—

- ^{F7}(1BA) (a) an amount is payable in respect of property (“the existing property”) comprised in a settlement, and
- (b) the amount represents an accumulation of income which (once accumulated) becomes comprised in the settlement,

subsection (1B) has effect, in the case of the amount, as if any reference to the time it became comprised in the settlement were to the time the existing property became comprised in the settlement.]

(1C) Income of the settlement is not to be regarded as relevant property comprised in the settlement as a result of subsection (1A) above so far as the income—

- (a) is represented by securities issued by the Treasury subject to a condition of the kind mentioned in subsection (2) of section 6 above, and
- (b) it is shown that all known persons for whose benefit the settled property or income from it has been or might be applied, or who are or might become beneficially entitled to an interest in possession in it, are persons of a description specified in the condition in question.]

[^{F8}(2) For the purposes of subsection (1) above, a foreign-owned work of art which is situated in the United Kingdom for one or more of the purposes of public display, cleaning and restoration (and for no other purpose) is not to be regarded as relevant property.]

Textual Amendments

- F1** S. 64 renumbered (6.4.2009 with effect as mentioned in art. 13(5) of the amending S.I.) as s. 64(1) by The Enactment of Extra-Statutory Concessions Order 2009 (S.I. 2009/730), **art. 13(3)**
- F2** S. 64(1A)-(1C) inserted (with effect in accordance with Sch. 25 para. 4(3) of the amending Act) by Finance Act 2014 (c. 26), **Sch. 25 para. 4(1)**
- F3** Words in s. 64(1B) inserted (with effect in accordance with s. 73(11) of the amending Act) by Finance Act 2020 (c. 14), **s. 73(5)(a)(i)**
- F4** Words in s. 64(1B) substituted (with effect in accordance with s. 73(11) of the amending Act) by Finance Act 2020 (c. 14), **s. 73(5)(a)(ii)**
- F5** Words in s. 64(1B) inserted (with effect in accordance with s. 30(9)-(12) of the amending Act) by Finance (No. 2) Act 2017 (c. 32), **s. 30(5)**
- F6** Words in s. 64(1B) inserted (with effect in accordance with s. 73(11) of the amending Act) by Finance Act 2020 (c. 14), **s. 73(5)(a)(iii)**
- F7** S. 64(1BA) inserted (with effect in accordance with s. 73(11) of the amending Act) by Finance Act 2020 (c. 14), **s. 73(5)(b)**
- F8** S. 64(2) inserted (6.4.2009 with effect as mentioned in art. 13(5) of the amending S.I.) by The Enactment of Extra-Statutory Concessions Order 2009 (S.I. 2009/730), **art. 13(3)**

65 Charge at other times.

(1) There shall be a charge to tax under this section—

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- (a) where the property comprised in a settlement or any part of that property ceases to be relevant property (whether because it ceases to be comprised in the settlement or otherwise); and
 - (b) in a case in which paragraph (a) above does not apply, where the trustees of the settlement make a disposition as a result of which the value of relevant property comprised in the settlement is less than it would be but for the disposition.
- (2) The amount on which tax is charged under this section shall be—
 - (a) the amount by which the value of relevant property comprised in the settlement is less immediately after the event in question that it would be but for the event, or
 - (b) where the tax payable is paid out of relevant property comprised in the settlement immediately after the event, the amount which, after deducting the tax, is equal to the amount on which tax would be charged by virtue of paragraph (a) above.
- (3) The rate at which tax is charged under this section shall be the rate applicable under section 68 or 69 below.
- (4) Subsection (1) above does not apply if the event in question occurs in a quarter beginning with the day on which the settlement commenced or with a ten-year anniversary.
- (5) Tax shall not be charged under this section in respect of—
 - (a) a payment of costs or expenses (so far as they are fairly attributable to relevant property), or
 - (b) a payment which is (or will be) income of any person for any of the purposes of income tax or would for any of those purposes be income of a person not resident in the United Kingdom if he were so resident,
 or in respect of a liability to make such a payment.
- (6) Tax shall not be charged under this section by virtue of subsection (1)(b) above if the disposition is such that, were the trustees beneficially entitled to the settled property, section 10 or section 16 above would prevent the disposition from being a transfer of value.
- (7) Tax shall not be charged under this section by reason only that property comprised in a settlement ceases to be situated in the United Kingdom and thereby becomes excluded property by virtue of section 48(3)(a) above.
- [^{F9}(7A) Tax shall not be charged under this section by reason only that property comprised in a settlement becomes excluded property by virtue of section 48(3A)(a) (holding in an authorised unit trust or a share in an open-ended investment company is excluded property unless settlor domiciled in UK when [^{F10}property became comprised in settlement]).]
- [^{F11}(7B) Tax shall not be charged under this section by reason only that property comprised in a settlement becomes excluded property by virtue of section 48(3E) ceasing to apply in relation to it.]
- [^{F12}(7C) Tax shall not be charged under this section by reason only that property comprised in a settlement ceases to any extent to be property to which paragraph 2 or 3 of Schedule A1 applies and thereby becomes excluded property by virtue of section 48(3)(a) above.

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(7D) Tax shall not be charged under this section where property comprised in a settlement or any part of that property—

- (a) is, by virtue of paragraph 5(2)(a) of Schedule A1, not excluded property for the two year period referred to in that paragraph, but
- (b) becomes excluded property at the end of that period.]

(8) If the settlor of [^{F13}property comprised in] a settlement was not domiciled in the United Kingdom when the [^{F14}property became comprised in the settlement (but see also subsection (8A))], tax shall not be charged under this section by reason only that [^{F15}the property] is invested in securities issued by the Treasury subject to a condition of the kind mentioned in section 6(2) above and thereby becomes excluded property by virtue of section 48(4)(b) above.

[^{F16}(8A) If—

- (a) an amount is payable in respect of property (“the existing property”) comprised in a settlement, and
- (b) the amount represents an accumulation of income which (once accumulated) becomes comprised in the settlement,

subsection (8) has effect, in the case of the amount, as if any reference to the time it became comprised in the settlement were to the time the existing property became comprised in the settlement.]

(9) For the purposes of this section trustees shall be treated as making a disposition if they omit to exercise a right (unless it is shown that the omission was not deliberate) and the disposition shall be treated as made at the time or latest time when they could have exercised the right.

Textual Amendments

- F9** S. 65(7A) inserted (retrospective to 16.10.2002) by [Finance Act 2013 \(c. 29\), s. 175](#)
- F10** Words in s. 65(7A) substituted (with effect in accordance with s. 73(11) of the amending Act) by [Finance Act 2020 \(c. 14\), s. 73\(6\)\(a\)](#)
- F11** S. 65(7B) inserted (with effect in accordance with s. 30(9)-(12) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), s. 30\(6\)](#)
- F12** S. 65(7C)(7D) inserted (with effect in accordance with Sch. 10 para. 9 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), Sch. 10 para. 5](#)
- F13** Words in s. 65(8) inserted (with effect in accordance with s. 73(11) of the amending Act) by [Finance Act 2020 \(c. 14\), s. 73\(6\)\(b\)\(i\)](#)
- F14** Words in s. 65(8) substituted (with effect in accordance with s. 73(11) of the amending Act) by [Finance Act 2020 \(c. 14\), s. 73\(6\)\(b\)\(ii\)](#)
- F15** Words in s. 65(8) substituted (with effect in accordance with s. 73(11) of the amending Act) by [Finance Act 2020 \(c. 14\), s. 73\(6\)\(b\)\(iii\)](#)
- F16** S. 65(8A) inserted (with effect in accordance with s. 73(11) of the amending Act) by [Finance Act 2020 \(c. 14\), s. 73\(6\)\(c\)](#)

Modifications etc. (not altering text)

- C1** S. 65 restricted (31.7.1998 with effect as mentioned in [s. 161\(1\)](#) of the amending Act) by [1998 c. 36, s. 161\(3\)](#)
- C2** S. 65 restricted (retrospective to 20.3.1993) by [Finance Act 2013 \(c. 29\), s. 86\(4\)\(6\)](#)

Changes to legislation:

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