



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]

Rates of principal charge

66 Rate of ten-yearly charge.

- (1) Subject to subsection (2) below, the rate at which tax is charged under section 64 above at any time shall be three tenths of the effective rate (that is to say the rate found by expressing the tax chargeable as a percentage of the amount on which it is charged) at which tax would be charged on the value transferred by a chargeable transfer of the description specified in subsection (3) below.
- (2) Where the whole or part of the value mentioned in section 64 above is attributable to property which was not relevant property, or was not comprised in the settlement, throughout the period of ten years ending immediately before the ten-year anniversary concerned, the rate at which tax is charged on that value or part shall be reduced by one-fortieth for each of the successive quarters in that period which expired before the property became, or last became, relevant property comprised in the settlement.

[^{F1}(2A) Subsection (2) above does not apply to property which is regarded as relevant property as a result of section 64(1A) (and accordingly that property is charged to tax at the rate given by subsection (1) above).]

- (3) The chargeable transfer postulated in subsection (1) above is one—

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- (a) the value transferred by which is equal to an amount determined in accordance with subsection (4) below;
 - (b) which is made immediately before the ten-year anniversary concerned by a transferor who has in the ^{F2}preceding seven years] made chargeable transfers having an aggregate value determined in accordance with subsection (5) below; and
 - ^{F3}(c) on which tax is charged in accordance with section 7(2) of this Act].
- (4) The amount referred to in subsection (3)(a) above is equal to the aggregate of—
- (a) the value on which is charged under section 64 above;
 - ^{F4}(b)
 - (c) the value, immediately after a related settlement commenced, of the ^{F5}relevant] property then comprised in it;
 - ^{F6}(d) the value of any same-day addition; and
 - (e) where—
 - (i) an increase in the value of the property comprised in another settlement is represented by the value of a same-day addition aggregated under paragraph (d) above, and
 - (ii) that other settlement is not a related settlement,
 the value immediately after that other settlement commenced of the relevant property then comprised in that other settlement;]
- but subject to subsection (6) below.
- (5) The aggregate value referred to in subsection (3)(b) above is equal to the aggregate of—
- (a) the values transferred by any chargeable transfers made by the settlor in the period of ^{F7}seven] years ending with the day on which the settlement commenced, disregarding transfers made on that day or before 27th March 1974, and
 - (b) the amounts on which any charges to tax were imposed under section 65 above in respect of the settlement in the ten years before the anniversary concerned;
- but subject to subsection (6) and section 67 below.
- (6) In relation to a settlement which commenced before 27th March 1974—
- (a) subsection (4) above shall have effect with the omission of ^{F8}paragraphs (c) to (e)] ; and
 - (b) subsection (5) above shall have effect with the omission of paragraph (a);
- and where tax is chargeable under section 64 above by reference to the first ten-year anniversary of a settlement which commenced before 9th March 1982, the aggregate mentioned in subsection (5) above shall be increased by the amounts of any distribution payments (determined in accordance with the rules applicable under paragraph 11 of Schedule 5 to the ^{M1}Finance Act 1975) made out of settled property before 9th March 1982 (or, where paragraph 6, 7 or 8 of Schedule 15 to the ^{M2}Finance Act 1982 applied, 1st April 1983, or, as the case may be, 1st April 1984) and within the period of ten years before the anniversary concerned.

Textual Amendments

- F1** S. 66(2A) 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\(2\)](#)

Changes to legislation: There are currently no known outstanding effects for the Inheritance Tax Act 1984, Cross Heading: Rates of principal charge. (See end of Document for details)

- F2** Finance Act 1986 Sch. 19 para. 16(1), with effect from 18 March 1986 originally “preceding ten years”.
- F3** Finance Act 1986 Sch. 19 para. 16(2), with effect from 18 March 1986. Originally “(c) for which the appropriate Table of rates is the second Table in Schedule 1 to this Act.”
- F4** S. 66(4)(b) and word omitted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by virtue of Finance (No. 2) Act 2015 (c. 33), **Sch. 1 para. 3(2)(a)**
- F5** Word in s. 66(4)(c) inserted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by Finance (No. 2) Act 2015 (c. 33), **Sch. 1 para. 3(2)(b)**
- F6** S. 66(4)(d)(e) inserted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by Finance (No. 2) Act 2015 (c. 33), **Sch. 1 para. 3(2)(c)**
- F7** Finance Act 1986 Sch. 19 para. 16(3), with effect from 18 March 1986. Originally “ten”.
- F8** Words in s. 66(6)(a) substituted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by Finance (No. 2) Act 2015 (c. 33), **Sch. 1 para. 3(3)**

Marginal Citations

- M1** 1975 c.7.
M2 1982 c.39.

67 Added property, etc.

- (1) This subsection applies where, after the settlement commenced and after 8th March 1982, but before the anniversary concerned, the settlor made a chargeable transfer as a result of which the value of the property comprised in the settlement was increased.
- (2) For the purposes of subsection (1) above, it is immaterial whether the amount of the property so comprised was increased as a result of the transfer, but a transfer as a result of which the value increased but the amount did not shall be disregarded if it is shown that the transfer—
 - (a) was not primarily intended to increase the value, and
 - (b) did not result in the value being greater immediately after the transfer by an amount exceeding five per cent. of the value immediately before the transfer.
- (3) Where subsection (1) above applies in relation to a settlement which commenced after 26th March 1974, section 66(5)(a) above shall have effect as if it referred to the greater of—
 - (a) the aggregate of the values there specified, and
 - (b) the aggregate of the values transferred by any chargeable transfers made by the settlor in the period of [^{F9}seven] years ending with the day on which the chargeable transfer falling within subsection (1) above was made—
 - (i) disregarding transfers made on that day or before 27th March 1974, and
 - (ii) excluding the values mentioned in subsection (5) below;
 and where the settlor made two or more chargeable transfers falling within subsection (1) above, paragraph (b) above shall be taken to refer to the transfer in relation to which the aggregate there mentioned is the greatest.
- (4) Where subsection (1) above applies in relation to a settlement which commenced before 27th March 1974, the aggregate mentioned in section 66(5) above shall be increased (or further increased) by the aggregate of the values transferred by any chargeable transfers made by the settlor in the period of [^{F10}seven] years ending with the day on which the chargeable transfer falling within subsection (1) above was made—

Changes to legislation: There are currently no known outstanding effects for the Inheritance Tax Act 1984, Cross Heading: Rates of principal charge. (See end of Document for details)

- (a) disregarding transfers made on that day or before 27th March 1974, and
 - (b) excluding the values mentioned in subsection (5) below; and where the settlor made two or more chargeable transfers falling within subsection (1) above, this subsection shall be taken to refer to the transfer in relation to which the aggregate to be added is the greatest.
- (5) The values excluded by subsections (3)(b)(ii) and (4)(b) above are—
- (a) any value attributable to property whose value is taken into account in determining the amount mentioned in section 66(4) above; and
 - (b) any value attributable to property in respect of which a charge to tax has been made under section 65 above and by reference to which an amount mentioned in section 66(5)(b) above is determined.
- (6) Where the property comprised in a settlement immediately before the ten-year anniversary concerned, or any part of that property, had on any occasion within the preceding ten years ceased to be relevant property then, if on that occasion tax was charged in respect of the settlement under section 65 above, the aggregate mentioned in section 66(5) above shall be reduced by an amount equal to the lesser of—
- (a) the amount on which tax was charged under section 65 (or so much of that amount as is attributable to the part in question), and
 - (b) the value on which tax is charged under section 64 above (or so much of that value as is attributable to the part in question);
- and if there were two or more such occasions relating to the property or the same part of it, this subsection shall have effect in relation to each of them.
- (7) References in subsection (6) above to the property comprised in a settlement immediately before an anniversary shall, if part only of the settled property was then relevant property, be construed as references to that part.

Textual Amendments

- F9** Finance Act 1986 Sch. 19 para. 17, *with effect from 18 March 1986. Originally* “ten”.
- F10** Finance Act 1986 Sch. 19 para. 17, *with effect from 18 March 1986. Originally* “ten”.

68 Rate before first ten-year anniversary.

- (1) The rate at which tax is charged under section 65 above on an occasion preceding the first ten-year anniversary after the settlement’s commencement shall be the appropriate fraction of the effective rate at which tax would be charged on the value transferred by a chargeable transfer of the description specified in subsection (4) below (but subject to subsection (6) below).
- (2) For the purposes of this section the appropriate fraction is three tenths multiplied by so many fortieths as there are complete successive quarters in the period beginning with the day on which the settlement commenced and ending with the day before the occasion of the charge, but subject to subsection (3) below.
- (3) Where the whole or part of the amount on which tax is charged is attributable to property which was not relevant property, or was not comprised in the settlement,

Changes to legislation: There are currently no known outstanding effects for the Inheritance Tax Act 1984, Cross Heading: Rates of principal charge. (See end of Document for details)

throughout the period referred to in subsection (2) above, then in determining the appropriate fraction in relation to that amount or part—

- (a) no quarter which expired before the day on which the property became, or last became, relevant property comprised in the settlement shall be counted, but
- (b) if that day fell in the same quarter as that in which the period ends, that quarter shall be counted whether complete or not.

(4) The chargeable transfer postulated in subsection (1) above is one—

- (a) the value transferred by which is equal to an amount determined in accordance with subsection (5) below;
- (b) which is made at the time of the charge to tax under section 65 by a transferor who has in the period of [^{F11}seven] years ending with the day of the occasion of the charge made chargeable transfers having an aggregate value equal to that of any chargeable transfers made by the settlor in the period of [^{F12}seven] years ending with the day on which the settlement commenced, disregarding transfers made on that day or before 27th March 1974; and

[^{F13}(c) on which tax is charged in accordance with section 7(2) of this Act.]

(5) The amount referred to in subsection (4)(a) above is equal to the aggregate of—

- (a) the value, immediately after the settlement commenced, of the [^{F14}relevant] property then comprised in it;
- (b) the value, immediately after a related settlement commenced, of the [^{F15}relevant] property then comprised in it; ^{F16}...

[^{F17}(c) the value, immediately after it became comprised in the settlement, of property which—

- (i) became comprised in the settlement after the settlement commenced and before the occasion of the charge under section 65 above, and
- (ii) was relevant property immediately after it became so comprised,

whether or not the property has remained relevant property comprised in the settlement;

(d) the value, at the time it became (or last became) relevant property, of property which—

- (i) was comprised in the settlement immediately after the settlement commenced and was not then relevant property but became relevant property before the occasion of the charge under section 65 above, or
- (ii) became comprised in the settlement after the settlement commenced and before the occasion of the charge under section 65 above, and was not relevant property immediately after it became comprised in the settlement, but became relevant property before the occasion of the charge under that section,

whether or not the property has remained relevant property comprised in the settlement;]

(e) the value of any same-day addition; and

(f) where—

- (i) an increase in the value of the property comprised in another settlement is represented by the value of a same-day addition aggregated under paragraph (e) above, and
- (ii) that other settlement is not a related settlement,

the value immediately after that other settlement commenced of the relevant property then comprised in that other settlement.

Changes to legislation: There are currently no known outstanding effects for the Inheritance Tax Act 1984, Cross Heading: Rates of principal charge. (See end of Document for details)

- (6) Where the settlement commenced before 27th March 1974, subsection (1) above shall have effect with the substitution of a reference to three tenths for the reference to the appropriate fraction; and in relation to such a settlement the chargeable transfer postulated in that subsection is one—
- (a) the value transferred by which is equal to the amount on which tax is charged under section 65 above;
 - (b) which is made at the time of that charge to tax by a transferor who has in the period of [^{F18}seven] years ending with the day of the occasion of the charge made chargeable transfers having an aggregate value equal to the aggregate of—
 - (i) any amounts on which any charges to tax have been imposed under section 65 above in respect of the settlement in [^{F19}the period of ten years ending with that day]; and
 - (ii) the amounts of any distribution payments (determined in accordance with the rules applicable under paragraph 11 of Schedule 5 to the ^{M3}Finance Act 1975) made out of the settled property before 9th March 1982 (or, where paragraph 6, 7 or 8 of Schedule 15 to the ^{M4}Finance Act 1982 applied, 1st April 1983, or, as the case may be, 1st April 1984) and within the said period of ten years; and
 - [^{F20}(c) on which tax is charged in accordance with section 7(2) of this Act.]

Textual Amendments

- F11** Finance Act 1986 Sch. 19 para. 18(1), with effect from 18 March 1986. Originally “ten”.
- F12** Finance Act 1986 Sch. 19 para. 18(1), with effect from 18 March 1986. Originally “ten”.
- F13** Finance Act 1986 Sch. 19 para. 18(2), with effect from 18 March 1986. Originally “(c) for which the appropriate Table of rates is the second Table in Schedule 1 to this Act.”.
- F14** Word in s. 68(5)(a) inserted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 1 para. 4\(a\)](#)
- F15** Word in s. 68(5)(b) inserted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 1 para. 4\(a\)](#)
- F16** Word in s. 68(5) omitted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by virtue of [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 1 para. 4\(b\)](#)
- F17** S. 68(5)(c)-(f) substituted for s. 68(5)(c) (with effect in accordance with Sch. 1 para. 7 of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\)](#), [Sch. 1 para. 4\(c\)](#)
- F18** Finance Act 1986 Sch. 19 para. 18(3)(a), with effect from 18 March 1986. Originally “ten”.
- F19** Finance Act 1986 Sch. 19 para. 18(3)(b), with effect from 18 March 1986. Originally “that period of ten years”.
- F20** Finance Act 1986 Sch. 19 para. 18(2), with effect from 18 March 1986. Originally “for which the appropriate Table of rates is the second Table in Schedule 1 to this Act.”

Marginal Citations

- M3** 1975 c. 7.
M4 1982 c. 39.

Changes to legislation: There are currently no known outstanding effects for the Inheritance Tax Act 1984, Cross Heading: Rates of principal charge. (See end of Document for details)

69 Rate between ten-year anniversaries.

(1) Subject to [F21subsection (2A)] below, the rate at which tax is charged under section 65 above on an occasion following one or more ten-year anniversaries after the settlement's commencement shall be the appropriate fraction of the rate at which it was last charged under section 64 (or would have been charged apart from section 66(2)).

[F22(2) Subsection (2A) below applies—

- (a) if, at any time in the period beginning with the most recent ten-year anniversary and ending immediately before the occasion of the charge under section 65 above (the “relevant period”), property has become comprised in the settlement which was relevant property immediately after it became so comprised, or
- (b) if—
 - (i) at any time in the relevant period, property has become comprised in the settlement which was not relevant property immediately after it became so comprised, and
 - (ii) at a later time in the relevant period, that property has become relevant property, or
- (c) if property which was comprised in the settlement immediately before the relevant period, but was not then relevant property, has at any time during the relevant period become relevant property.

(2A) Whether or not all of the property within any of paragraphs (a) to (c) of subsection (2) above has remained relevant property comprised in the settlement, the rate at which tax is charged under section 65 is to be the appropriate fraction of the rate at which it would last have been charged under section 64 above (apart from section 66(2) above) if—

- (a) immediately before the most recent ten-year anniversary, all of that property had been relevant property comprised in the settlement with a value determined in accordance with subsection (3) below, and
- (b) any same-day addition made on or after the most recent ten-year anniversary had been made immediately before that anniversary.]

(3) In the case of property within subsection (2)(a) above ^{F23}... the value to be attributed to it for the [F24purposes of subsection (2A)] above is its value immediately after it became comprised in the settlement; and in any other case the value to be so attributed is the value of the property when it became (or last became) relevant property.

(4) For the purposes of this section the appropriate fraction is so many fortieths as there are complete successive quarters in the period beginning with the most recent ten-year anniversary and ending with the day before the occasion of the charge; but subsection (3) of section 68 above shall have effect for the purposes of this subsection as it has effect for the purposes of subsection (2) of that section.

Textual Amendments

F21 Words in s. 69(1) substituted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\), Sch. 1 para. 5\(2\)](#)

F22 S. 69(2)(2A) substituted for s. 69(2) (with effect in accordance with Sch. 1 para. 7 of the amending Act) by [Finance \(No. 2\) Act 2015 \(c. 33\), Sch. 1 para. 5\(3\)](#)

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- F23** Words in s. 69(3) omitted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by virtue of Finance (No. 2) Act 2015 (c. 33), **Sch. 1 para. 5(4)(a)**
- F24** Words in s. 69(3) substituted (with effect in accordance with Sch. 1 para. 7 of the amending Act) by Finance (No. 2) Act 2015 (c. 33), **Sch. 1 para. 5(4)(b)**

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Heading: Rates of principal charge.