



Inheritance Tax Act 1984

1984 CHAPTER 51

PART III

SETTLED PROPERTY

CHAPTER III

SETTLEMENTS WITHOUT INTERESTS IN POSSESSION

Works of art, historic buildings, etc.

77 Maintenance funds for historic buildings, etc.

Schedule 4 to this Act shall have effect.

78 Conditionally exempt occasions.

(1) A transfer of property or other event shall not constitute an occasion on which tax is chargeable under any provision of this Chapter other than section 64 if the property in respect of which the charge would have been made has been comprised in the settlement throughout the six years ending with the transfer or event, and—

- (a) the property is, on a claim made for the purpose, designated by the Treasury under section 31 above, and
- (b) the requisite undertaking described in that section is given with respect to the property by such person as the Treasury think appropriate in the circumstances of the case [F1 or (where the property is an area of land within subsection (1)(d) of that section) the requisite undertakings described in that section are given with respect to the property by such person or persons as the Treasury think appropriate in the circumstances of the case.]

(2) References in this Chapter to a conditionally exempt occasion are to—

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- (a) a transfer or event which by virtue of subsection (1) above does not constitute an occasion on which tax is chargeable under this Chapter;
 - (b) a transfer or event which, by virtue of section 81(1) of the ^{M1}Finance Act 1976, did not constitute an occasion on which tax was chargeable under Chapter II of Part IV of the ^{M2}Finance Act 1982;
 - (c) a conditionally exempt distribution within the meaning given by section 81(2) of the Finance Act 1976 as it had effect in relation to events before 9th March 1982.
- (3) Where there has been a conditionally exempt occasion in respect of any property, sections 32, [^{F2}32A], 33(1), 33(3) to (7) and 35(2) above shall have effect (and tax shall accordingly be chargeable under section 32 [^{F2}or 32A]) as if—
- (a) references to a conditionally exempt transfer and to such a transfer of property included references respectively to a conditionally exempt occasion and to such an occasion in respect of property;
 - (b) references to a disposal otherwise than by sale included references to any occasion on which tax is chargeable under any provision of this Chapter other than section 64;
 - (c) references to an undertaking given under section 30 above included references to an undertaking given under this section;
- and the references in section 33(5) above to the person who made a conditionally exempt transfer shall have effect in relation to a conditionally exempt occasion as references to the person who is the settlor of the settlement in respect of which the occasion occurred (or if there is more than one such person, whichever of them the Board may select).
- (4) Where by virtue of subsection (3) above the relevant person for the purposes of section 33 above is the settlor of a settlement, the rate (or each of the rates) mentioned in section 33(1)(b)(i) or (ii)—
- (a) shall, if the occasion occurred before the first ten-year anniversary to fall after the property became comprised in the settlement concerned, be 30 per cent. of what it would be apart from this subsection, and
 - (b) shall, if the occasion occurred after the first and before the second ten-year anniversary to fall after the property became so comprised, be 60 per cent. of what it would be apart from this subsection;
- [^{F3}and the appropriate provision of section 7 for the purposes of section 33(1)(b)(ii) is, if the settlement was created on his death, subsection (1) and, if not, subsection (2).]
- (5) Where by virtue of subsection (3) above the relevant person for the purposes of section 33 above is the settlor of a settlement and that settlor died before 13th March 1975, section 33(1)(b) above shall have effect (subject to subsection (4) above) with the substitution for sub-paragraph (ii) of the following sub-paragraph:—
- “(ii) the rate or rates that would have applied to that amount (“the chargeable amount”) [^{F4}in accordance with the appropriate provision of section 7 above] if the relevant person had died when the chargeable event occurred, the value transferred on his death had been equal to the amount on which estate duty was chargeable when he in fact died, and the chargeable amount had been added to that value and had formed the highest part of it.”

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- (6) Section 34 above shall not apply to a chargeable event in respect of property if the last conditionally exempt transfer of the property has been followed by a conditionally exempt occasion in respect of it.

Textual Amendments

- F1** Finance Act 1985 Sch. 26 para. 8(a), *in relation to events occurring after 18 March 1985.*
- F2** Finance Act 1985 Sch. 26 para. 8(b), *in relation to events occurring after 18 March 1985.*
- F3** Finance Act 1986 Sch. 19 para. 19(1), *with effect from 18 March 1986. Originally* “and the appropriate Table for the purposes of section 33(1)(b)(ii) is, if the settlement was created on his death, the first Table in Schedule 1 to this Act and, if not, the second Table.”
- F4** Finance Act 1986 Sch. 19 para. 19(2), *with effect from 18 March 1986. Originally* “under the appropriate Table”.

Modifications etc. (not altering text)

- C1** *By Finance Act 1985 s. 95, the functions of the Treasury were transferred to the Commissioners of Inland Revenue (“the Board”).*

Marginal Citations

- M1** 1976 c. 40.
- M2** 1982 c. 39.

79 Exemption from ten-yearly charge.

- (1) Where property is comprised in a settlement and there has been a conditionally exempt transfer of the property on or before the occasion on which it became comprised in the settlement, section 64 above shall not have effect in relation to the property on any ten-year anniversary falling before the first occurrence after the transfer of a chargeable event with respect to the property.
- (2) Where property is comprised in a settlement and there has been, on or before the occasion on which it became comprised in the settlement, a disposal of the property in relation to which subsection (4) of section 147 of the ^{M3}Capital Gains Tax Act 1979 (capital gains tax relief for works of art etc.) had effect, section 64 above shall not have effect in relation to the property on any ten-year anniversary falling before the first occurrence after the disposal of an event on the happening of which the property is treated as sold under subsection (5) of the said section 147.
- (3) Where property is comprised in a settlement and there has been no such transfer or disposal of the property as is mentioned in subsection (1) or (2) above on or before the occasion on which it became comprised in the settlement, then, if—
- the property has, on a claim made for the purpose, been designated by the Treasury under section 31 above,
 - the requisite undertaking described in that section has been given [^{F5}with respect to the property] by such person as the Treasury think appropriate in the circumstances of the case, [^{F5}or (where the property is an area of land within subsection (1)(d) of that section) the requisite undertakings described in that section have been given with respect to the property by such person or persons as the Treasury think appropriate in the circumstances of the case], and
 - the property is relevant property,

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section 64 above shall not have effect in relation to the property; but there shall be a charge to tax under this subsection on the first occurrence of an event which, if there had been a conditionally exempt transfer of the property when the claim was made and the undertaking had been given under section 30 above, would be a chargeable event with respect to the property.

- (4) Tax shall not be charged under subsection (3) above in respect of property if, after the occasion and before the occurrence there mentioned, there has been a conditionally exempt occasion in respect of the property.
- (5) The amount on which tax is charged under subsection (3) above shall be an amount equal to the value of the property at the time of the event.
- (6) The rate at which tax is charged under subsection (3) above shall be the aggregate of the following percentages—
 - (a) 0·25 per cent. for each of the first forty complete successive quarters in the relevant period,
 - (b) 0·20 per cent. for each of the next forty,
 - (c) 0·15 per cent. for each of the next forty,
 - (d) 0·10 per cent. for each of the next forty, and
 - (e) 0·5 per cent. for each of the next forty.
- (7) In subsection (6) above “the relevant period” means the period beginning with the latest of—
 - (a) the day on which the settlement commenced,
 - (b) the date of the last ten-year anniversary of the settlement to fall before the day on which the property became comprised in the settlement, and
 - (c) 13th March 1975,
 and ending with the day before the event giving rise to the charge.
- (8) Subsection (9) below shall have effect where—
 - (a) by virtue of subsection (3) above, section 64 does not have effect in relation to property on the first ten-year anniversary of the settlement to fall after the making of the claim and the giving of the undertaking,
 - (b) on that anniversary a charge to tax falls to be made in respect of the settlement under section 64, and
 - (c) the property became comprised in the settlement, and the claim was made and the undertaking was given, within the period of ten years ending with that anniversary.
- (9) In calculating the rate at which tax is charged under section 64 above, the value of the consideration given for the property on its becoming comprised in the settlement shall be treated for the purposes of section 66(5)(b) above as if it were an amount on which a charge to tax was imposed in respect of the settlement under section 65 above at the time of the property becoming so comprised.
- (10) In subsection (1) above, the reference to a conditionally exempt transfer of any property includes a reference to a transfer of value in relation to which the value of any property has been left out of account under the provisions of sections 31 to 34 of the ^{M4}Finance Act 1975 and, in relation to such property, the reference to a chargeable event includes a reference to an event on the occurrence of which tax becomes chargeable under Schedule 5 to this Act.

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Textual Amendments

F5 Finance Act 1985 Sch. 26 para. 9, in relation to events occurring after 18 March 1985.

Modifications etc. (not altering text)

C2 By Finance Act 1985 s. 95, the functions of the Treasury were transferred to the Commissioners of Inland Revenue (“the Board”).

Marginal Citations

M3 1979 c. 14.

M4 1975 c. 7.

VALID FROM 31/07/1998

[^{F6}79A Variation of undertakings.

- (1) An undertaking given under section 78 or 79 above may be varied from time to time by agreement between the Board and the person bound by the undertaking.
- (2) Where a Special Commissioner is satisfied that—
 - (a) the Board have made a proposal for the variation of such an undertaking to the person bound by the undertaking,
 - (b) that person has failed to agree to the proposed variation within six months after the date on which the proposal was made, and
 - (c) it is just and reasonable, in all the circumstances, to require the proposed variation to be made,the Commissioner may direct that the undertaking is to have effect from a date specified by him as if the proposed variation had been agreed to by the person bound by the undertaking.
- (3) The date specified by the Special Commissioner must not be less than sixty days after the date of his direction.
- (4) A direction under this section shall not take effect if, before the date specified by the Special Commissioner, a variation different from that to which the direction relates is agreed between the Board and the person bound by the undertaking.]

Textual Amendments

F6 S. 79A inserted (31.7.1998 with effect as mentioned in Sch. 25 para. 8(4) of the amending Act) by 1998 c. 36, s. 142, Sch. 25 para. 8(2)

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