



Inheritance Tax Act 1984

1984 CHAPTER 51

PART VI

VALUATION

CHAPTER I

GENERAL

160 Market value.

Except as otherwise provided by this Act, the value at any time of any property shall for the purposes of this Act be the price which the property might reasonably be expected to fetch if sold in the open market at that time; but that price shall not be assumed to be reduced on the ground that the whole property is to be placed on the market at one and the same time.

161 Related property.

- (1) Where the value of any property comprised in a person's estate would be less than the appropriate portion of the value of the aggregate of that and any related property, it shall be the appropriate portion of the value of that aggregate.
- (2) For the purposes of this section, property is related to the property comprised in a person's estate if—
 - (a) it is comprised in the estate of his spouse [^{F1}or civil partner] ; or
 - (b) it is or has within the preceding five years been—
 - (i) the property of a charity, or held on trust for charitable purposes only, or
 - (ii) the property of a body mentioned in section 24, [^{F2}24A,]^{[F3}or 25] above,

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and became so on a transfer of value which was made by him or his spouse [F1 or civil partner] after 15th April 1976 and was exempt to the extent that the value transferred was attributable to the property.

- (3) The appropriate portion of the value of the aggregate mentioned in subsection (1) above is such portion thereof as would be attributable to the value of the first-mentioned property if the value of that aggregate were equal to the sums of the values of that and any related property, the value of each property being determined as if it did not form part of that aggregate.
- (4) For the purposes of subsection (3) above the proportion which the value of a smaller number of shares of any class bears to the value of a greater number shall be taken to be that which the smaller number bears to the greater; and similarly with stock, debentures and units of any other description of property.
- (5) Shares shall not be treated for the purposes of subsection (4) above as being of the same class unless they are so treated by the practice of a recognised stock exchange or would be so treated if dealt with on such a stock exchange.

Textual Amendments

- F1** Words in s. 161(2) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), [34](#)
- F2** Finance Act 1989 s. 171(4), *with effect from 14 March 1989.*
- F3** Words in s. 161(2)(b) substituted (31.7.1998 with effect in relation to any property becoming property of a body on a transfer of value made on or after 17.3.1998) by [1998 c. 36, s. 143\(6\)](#)

162 Liabilities.

- (1) A liability in respect of which there is a right to reimbursement shall be taken into account only to the extent (if any) that reimbursement cannot reasonably be expected to be obtained.
- (2) Subject to subsection (3) below, where a liability falls to be discharged after the time at which it is to be taken into account it shall be valued as at the time at which it is to be taken into account.
- (3) In determining the value of a transferor's estate immediately after a transfer of value, his liability for [F4 inheritance tax] shall be computed—
 - (a) without making any allowance for the fact that the tax will not be due immediately, and
 - (b) as if any tax recovered otherwise than from the transferor (or a person liable for it under section 203(1) below) were paid in discharge of a liability in respect of which the transferor had a right to reimbursement.
- (4) A liability which is an incumbrance on any property shall, so far as possible [F5 and to the extent that it is not taken to reduce value in accordance with section 162B], be taken to reduce the value of that property.
- (5) Where a liability taken into account is a liability to a person resident outside the United Kingdom which neither—
 - (a) falls to be discharged in the United Kingdom, nor
 - (b) is an incumbrance on property in the United Kingdom,

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it shall, so far as possible [^{F6}and to the extent that it is not taken to reduce value in accordance with section 162B], be taken to reduce the value of property outside the United Kingdom.

Textual Amendments

- F4** See Finance Act 1986 s. 100(1) and (2)—for any liability to tax arising on and after 25 July 1986 any reference in the legislation to capital transfer tax has effect as a reference to inheritance tax.
- F5** Words in s. 162(4) inserted (with effect in accordance with Sch. 36 para. 5 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 36 para. 2\(2\)](#)
- F6** Words in s. 162(5) inserted (with effect in accordance with Sch. 36 para. 5 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 36 para. 2\(3\)](#)

[^{F7}162A Liabilities attributable to financing excluded property

- (1) To the extent that a liability is attributable to financing (directly or indirectly)—
- the acquisition of any excluded property, or
 - the maintenance, or an enhancement, of the value of any such property,
- it may only be taken into account so far as permitted by subsections (2) to (4).
- (2) Where the property mentioned in subsection (1) has been disposed of, in whole or in part, for full consideration in money or money's worth, the liability may be taken into account up to an amount equal to so much of that consideration as—
- is not excluded property, and
 - has not been used—
 - to finance (directly or indirectly) the acquisition of excluded property or the maintenance, or an enhancement, of the value of such property, or
 - to discharge (directly or indirectly) any other liability that, by virtue of this section, would not be taken into account.
- (3) The liability may be taken into account up to an amount equal to the value of such of the property mentioned in subsection (1) as—
- has not been disposed of, and
 - is no longer excluded property.
- (4) To the extent that any remaining liability is greater than the value of such of the property mentioned in subsection (1) as—
- has not been disposed of, and
 - is still excluded property,
- it may be taken into account, but only so far as the remaining liability is not greater than that value for any of the reasons mentioned in subsection (7).
- (5) Subsection (6) applies where—
- a liability or any part of a liability is attributable to financing (directly or indirectly)—
 - the acquisition of property that was not excluded property, or
 - the maintenance, or an enhancement, of the value of such property, and
 - the property or part of the property—

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- (i) has not been disposed of, and
 - (ii) has become excluded property.
- (6) The liability or (as the case may be) the part may only be taken into account to the extent that it exceeds the value of the property, or the part of the property, that has become excluded property, but only so far as it does not exceed that value for any of the reasons mentioned in subsection (7).
- (7) The reasons are—
- (a) arrangements the main purpose, or one of the main purposes, of which is to secure a tax advantage,
 - (b) an increase in the amount of the liability (whether due to the accrual of interest or otherwise), or
 - (c) a disposal, in whole or in part, of the property.
- (8) In this section—
- “arrangements” includes any scheme, transaction or series of transactions, agreement or understanding, whether or not legally enforceable, and any associated operations;
 - “remaining liability” means the liability mentioned in subsection (1) so far as subsections (2) and (3) do not permit it to be taken into account;
 - “tax advantage” means—
 - (a) the avoidance or reduction of a charge to tax, or
 - (b) the avoidance of a possible determination in respect of tax.

Textual Amendments

F7 Ss. 162A-162C inserted (with effect in accordance with Sch. 36 para. 5 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 36 para. 3](#)

162B Liabilities attributable to financing certain relievable property

- (1) Subsection (2) applies if—
- (a) the whole or part of any value transferred by a transfer of value is to be treated as reduced, under section 104, by virtue of it being attributable to the value of relevant business property, and
 - (b) the transferor has a liability which is attributable, in whole or in part, to financing (directly or indirectly)—
 - (i) the acquisition of that property, or
 - (ii) the maintenance, or an enhancement, of its value.
- (2) The liability is, so far as possible, to be taken to reduce the value attributable to the value of the relevant business property, before it is treated as reduced under section 104, but only to the extent that the liability—
- (a) is attributable as mentioned in subsection (1)(b), and
 - (b) does not reduce the value of the relevant business property by virtue of section 110(b).
- (3) Subsection (4) applies if—

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- (a) the whole or part of any value transferred by a transfer of value is to be treated as reduced, under section 116, by virtue of it being attributable to the agricultural value of agricultural property, and
 - (b) the transferor has a liability which is attributable, in whole or in part, to financing (directly or indirectly)—
 - (i) the acquisition of that property, or
 - (ii) the maintenance, or an enhancement, of its agricultural value.
- (4) To the extent that the liability is attributable as mentioned in subsection (3)(b), it is, so far as possible, to be taken to reduce the value attributable to the agricultural value of the agricultural property, before it is treated as reduced under section 116.
- (5) Subsection (6) applies if—
- (a) part of the value of a person's estate immediately before death is attributable to the value of land on which trees or underwood are growing,
 - (b) the value of the trees or underwood is to be left out of account, under section 125(2)(a), in determining the value transferred by the chargeable transfer made on the person's death, and
 - (c) the person has a liability which is attributable, in whole or in part, to financing (directly or indirectly)—
 - (i) the acquisition of the land or trees or underwood,
 - (ii) planting the trees or underwood, or
 - (iii) the maintenance, or an enhancement, of the value of the trees or underwood.
- (6) To the extent that the liability is attributable as mentioned in subsection (5)(c), it is, so far as possible, to be taken to reduce the value of the trees or underwood, before their value is left out of account.
- (7) Subject to subsection (8), to the extent that a liability is, in accordance with this section, taken to reduce value in determining the value transferred by a chargeable transfer, that liability is not then to be taken into account in determining the value transferred by any subsequent transfer of value by the same transferor.
- (8) Subsection (7) does not prevent a liability from being taken into account by reason only that the liability has previously been taken into account in determining the amount on which tax is chargeable under section 64.
- (9) For the purposes of subsections (1) to (4) and (7), references to a transfer of value or chargeable transfer include references to an occasion on which tax is chargeable under Chapter 3 of Part 3 (apart from section 79) and—
- (a) references to the value transferred by a transfer of value or chargeable transfer include references to the amount on which tax is then chargeable, and
 - (b) references to the transferor include references to the trustees of the settlement concerned.
- (10) In this section—
- “agricultural property” and “agricultural value” have the same meaning as in Chapter 2 of Part 5;
 - “relevant business property” has the same meaning as in Chapter 1 of Part 5.

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Textual Amendments

- F7** Ss. 162A-162C inserted (with effect in accordance with Sch. 36 para. 5 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 36 para. 3](#)

162C Sections 162A and 162B: supplementary provision

- (1) This section applies for the purposes of determining the extent to which a liability is attributable as mentioned in section 162A(1) or (5) or 162B(1)(b), (3)(b) or (5)(c).
- (2) Where a liability was discharged in part before the time in relation to which the question as to whether or how to take it into account arises—
 - (a) any part of the liability that, at the time of discharge, was not attributable as mentioned in subsection (1) is, so far as possible, to be taken to have been discharged first,
 - (b) any part of the liability that, at the time of discharge, was attributable as mentioned in section 162B(1)(b), (3)(b) or (5)(c) is, so far as possible, only to be taken to have been discharged after any part of the liability within paragraph (a) was discharged, and
 - (c) any part of the liability that, at the time of discharge, was attributable as mentioned in section 162A(1) or (5) is, so far as possible, only to be taken to have been discharged after any parts of the liability within paragraph (a) or (b) were discharged.]

Textual Amendments

- F7** Ss. 162A-162C inserted (with effect in accordance with Sch. 36 para. 5 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 36 para. 3](#)

163 Restriction on freedom to dispose.

- (1) Where, by a contract made at any time, the right to dispose of any property has been excluded or restricted, then, in determining the value of the property for the purpose of the first relevant event happening after that time,—
 - (a) the exclusion or restriction shall be taken into account only to the extent (if any) that consideration in money or money's worth was given for it, but
 - (b) if the contract was a chargeable transfer or was part of associated operations which together were a chargeable transfer, an allowance shall be made for the value transferred thereby (calculated as if no tax had been chargeable on it) or for so much of the value transferred as is attributable to the exclusion or restriction.
- (2) Where the contract was made before 27th March 1974 subsection (1) above applies only if the first relevant event is a transfer made on death.
- (3) In this section “relevant event”, in relation to any property, means—
 - (a) a chargeable transfer in the case of which the whole or part of the value transferred is attributable to the value of the property; and
 - (b) anything which would be such a chargeable transfer but for this section.

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164 Transferor's expenses.

In determining the value transferred by a transfer of value, expenses incurred by the transferor in making the transfer (but not his liability for [^{F8}inheritance tax])—

- (a) shall, if borne by him, be left out of account;
- (b) shall, if borne by a person benefiting from the transfer, be treated as reducing the value transferred.

Textual Amendments

F8 See Finance Act 1986 s. 100(1) and (2)—for any liability to tax arising on and after 25 July 1986 any reference in the legislation to capital transfer tax has effect as a reference to inheritance tax.

165 Tax on capital gains.

(1) Where a chargeable transfer is or includes a disposal of an asset and on the disposal a gain accrues to the transferor for the purposes of the [^{F9}1992 Act], then if—

- (a) the whole or part of the gain is a chargeable gain or a development gain, and
- (b) the whole or part of any capital gains tax or income tax chargeable on the gain is borne by the donee (within the meaning of section [^{F9}282] of that Act),

the amount of the tax so borne shall be treated as reducing the value transferred by the chargeable transfer.

(2) Subsection (1) above shall not apply where the chargeable transfer is made under Part III of this Act and the gain accrues to the trustees of the settlement; but if in such a case any capital gains tax chargeable on the gain is borne by a person who becomes absolutely entitled to the settled property concerned, the amount of the tax so borne shall be treated as reducing the value transferred by the chargeable transfer.

(3) In any case where—

- (a) payment of an amount of capital gains tax is postponed by virtue of Schedule 14 to the ^{M1}Finance Act 1984, and
- (b) any of that capital gains tax becomes payable in accordance with paragraph 11 of that Schedule by reason of the receipt of a capital payment by a close relative of the beneficiary, as mentioned in sub-paragraph (3) of that paragraph, and
- (c) all or part of the capital gains tax becoming so payable is paid by the close relative,

the payment by the close relative shall be treated for the purposes of this Act as made in satisfaction of a liability of his.

Textual Amendments

F9 Words in s. 165 substituted (6.3.1992 with effect as mentioned in s. 289(1)(2) of the substituting Act) by Taxation of Chargeable Gains Act 1992 (c. 12), ss. 289, 290, Sch. 10 para. 8(8) (with ss. 60, 101(1), 201(3)).

Marginal Citations

M1 1984 Sch.14 para.16.

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166 Creditors' rights.

In determining the value of a right to receive a sum due under any obligation it shall be assumed that the obligation will be duly discharged, except if or to the extent that recovery of the sum is impossible or not reasonably practicable and has not become so by any act or omission of the person to whom the sum is due.

167 Life policies, etc.

(1) In determining in connection with a transfer of value the value of a policy of insurance on a person's life or of a contract for an annuity payable on a person's death, that value shall be taken to be not less than—

- (a) the total of the premiums or other consideration which, at any time before the transfer of value, has been paid under the policy or contract or any policy or contract for which it was directly or indirectly substituted, less
- (b) any sum which, at any time before the transfer of value, has been paid under, or in consideration for the surrender of any right conferred by, the policy or contract or a policy or contract for which it was directly or indirectly substituted.

(2) Subsection (1) above shall not apply in the case of—

- (a) the transfer of value which a person makes on his death, or
- (b) any other transfer of value which does not result in the policy or contract ceasing to be part of the transferor's estate,

F10

(3) Subsection (1) above shall not apply where the policy is one—

- (a) under which the sum assured becomes payable only if the person whose life is insured dies before the expiry of a specified term or both before the expiry of a specified term and during the life of a specified person, and
- (b) which, if that specified term ends, or can, under the policy, be extended so as to end, more than three years after the making of the insurance, satisfies the condition that, if neither the person whose life is insured nor the specified person dies before the expiry of the specified term—
 - (i) the premiums are payable during at least two-thirds of that term and at yearly or shorter intervals, and
 - (ii) the premiums payable in any one period of twelve months are not more than twice the premiums payable in any other such period.

(4) Where the policy is one under which—

- (a) the benefit secured is expressed in units the value of which is published and subject to fluctuation, and
- (b) the payment of each premium secures the allocation to the policy of a specified number of such units,

then, if the value, at the time of the transfer of value, of the units allocated to the policy on the payment of premiums is less than the aggregate of what the respective values of those units were at the time of allocation, the value to be taken under subsection (1) above as a minimum shall be reduced by the amount of the difference.

(5) References in subsections (1) and (4) above to a transfer of value shall be construed as including references to an event on which there is a charge to tax under Chapter III of Part III of this Act (apart from section 79), other than an event on which tax

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is chargeable in respect of the policy or contract by reason only that its value (apart from this section) is reduced.

Textual Amendments

F10 *Repealed by Finance Act 1986 s. 114(6) and Sch. 23, Part X, where the donee's transfer is made on or after 18 March 1986.*

168 Unquoted shares and securities.

(1) In determining the price which unquoted shares or [^{F11}unquoted] securities might reasonably be expected to fetch if sold in the open market it shall be assumed that in that market there is available to any prospective purchaser of the shares or securities all the information which a prudent prospective purchaser might reasonably require if he were proposing to purchase them from a willing vendor by private treaty and at arm's length.

(2) ^{F12}

Textual Amendments

F11 *Finance Act 1987 Sch. 8, para. 12(1), with effect from 17 March 1987.*

F12 *Repealed by 1987 s. 58(2) and Sch. 8, para. 12(2), with effect from 17 March 1987.*

169 Farm cottages.

(1) In determining the value of agricultural property which includes cottages occupied by persons employed solely for agricultural purposes in connection with the property, no account shall be taken of any value attributable to the fact that the cottages are suitable for the residential purposes of persons not so employed.

(2) Expressions used in subsection (1) above and in Chapter II of Part V of this Act have the same meaning in that subsection as in that Chapter.

170 Leases for life, etc.

Where under section 43(3) above a lease of property is to be treated as a settlement, the value of the lessor's interest in the property shall be taken to be such part of the value of the property as bears to it the same proportion as the value of the consideration, at the time the lease was granted, bore to what would then have been the value of a full consideration in money or money's worth.

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