



Inheritance Tax Act 1984

1984 CHAPTER 51

PART II

EXEMPT TRANSFERS

CHAPTER I

GENERAL

21 Normal expenditure out of income.

- (1) A transfer of value is an exempt transfer if, or to the extent that, it is shown—
 - (a) that it was made as part of the normal expenditure of the transferor, and
 - (b) that (taking one year with another) it was made out of his income, and
 - (c) that, after allowing for all transfers of value forming part of his normal expenditure, the transferor was left with sufficient income to maintain his usual standard of living.
- (2) A payment of a premium on a policy of insurance on the transferor's life, or a gift of money or money's worth applied, directly or indirectly, in payment of such a premium, shall not for the purposes of this section be regarded as part of his normal expenditure if, when the insurance was made or at any earlier or later time, an annuity was purchased on his life, unless it is shown that—
 - (a) the purchase of the annuity, and
 - (b) the making or any variation of the insurance or of any prior insurance for which the first-mentioned insurance was directly or indirectly substituted,were not associated operations.
- (3) So much of a purchased life annuity (within the meaning of [^{F1}section 423 of the Income Tax (Trading and Other Income) Act 2005] as is, [^{F2}exempt from income tax under section 717 of that Act] , shall not be regarded as part of the transferor's income for the purposes of this section.

Changes to legislation: There are currently no known outstanding effects for the Inheritance Tax Act 1984, Section 21. (See end of Document for details)

(4) Subsection (3) above shall not apply to annuities purchased before 13th November 1974.

(5) Section 3(4) above shall not apply for the purposes of this section.

Textual Amendments

- F1** Words in s. 21(3) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), ss. 882, 883, [Sch. 1 para. 395\(a\)](#) (with [Sch. 2](#))
- F2** Words in s. 21(3) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), ss. 882, 883, [Sch. 1 para. 395\(b\)](#) (with [Sch. 2](#))

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