



Inheritance Tax Act 1984

1984 CHAPTER 51

PART VIII

ADMINISTRATION AND COLLECTION

Payment

227 Payment by instalments—land, shares and businesses.

- (1) Where any of the tax payable on the value transferred by a chargeable transfer is attributable to the value of qualifying property and—
- the transfer is made on death, or
 - the tax so attributable is borne by the person benefiting from the transfer, or
 - the transfer is made under Part III of this Act and the property concerned continues to be comprised in the settlement,

the tax so attributable may, if the person paying it by notice in writing to the Board so elects, be paid by ten equal yearly instalments.

[^{F1}(1A) Subsection (1) above does not apply to—

- tax payable on the value transferred by a potentially exempt transfer which proves to be a chargeable transfer, or
- additional tax becoming payable on the value transferred by any chargeable transfer by reason of the transferor's death within seven years of the transfer,

except to the extent that the tax is attributable to the value of property which satisfies one of the conditions specified in subsection (1C) below and, in the case of property consisting of unquoted shares or unquoted securities, the further condition specified in section 228(3A) below.]

[^{F2}(1AA) In subsection (1A) above “unquoted”, in relation to any shares or securities, means not [^{F3}listed]] on a recognised stock exchange.

[^{F4}(1B) In [^{F5}this section] “the transferee” means the person whose property the qualifying property became on the transfer or, where on the transfer the qualifying property

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became comprised in a settlement in which no qualifying interest in possession (within the meaning of Chapter III of Part III of this Act) subsists, the trustees of the settlement.]

[^{F6}(1C) The conditions referred to in subsection (1A) above are—

- (a) that the property was owned by the transferee throughout the period beginning with the date of the chargeable transfer and ending with the death of the transferor (or, if earlier, the death of the transferee), or
- (b) that for the purposes of determining the tax, or additional tax, due by reason of the death of the transferor, the value of the property is reduced in accordance with the provisions of Chapter I or Chapter II or Part V of this Act by virtue of section 113B or section 124B above.]

(2) In this section “qualifying property” means—

- (a) land of any description, wherever situated;
- (b) shares or securities to which section 228 below applies;
- (c) a business or an interest in a business.

(3) The first of the instalments referred to in subsection (1) above shall be payable—

- (a) if the chargeable transfer was made on death, six months after the end of the month in which the death occurred, and
- (b) in any other case, at the time when the tax would be due if it were not payable by instalments;

and interest under section 233 below on the unpaid portion of the tax shall be added to each instalment and paid accordingly, except as otherwise provided in section 234 below.

(4) Notwithstanding the making of an election under this section, the tax for the time being unpaid, with interest to the time of payment, may be paid at any time; and if at any time (whether before or after the date when the first instalment is payable) the whole or any part of the property concerned is sold, the tax unpaid (or, in the case of a sale of part, the proportionate part of that tax) shall become payable forthwith (or, if the sale precedes the date when the first instalment is payable, on that date) together with any interest accrued under section 233 below.

(5) References in subsection (4) above to the sale of property shall have effect—

- (a) in a case within subsection (1)(b) above [^{F7}other than a case within subsection (1A) above where the transferee dies before the transferor], as if they included references to any chargeable transfer in which the value transferred is wholly or partly attributable to the value of the property, other than a transfer made on death, and
- (b) in a case within subsection (1)(c) above, as references to the property ceasing to be comprised in the settlement.

(6) For the purposes of subsection (4) above—

- (a) the sale of an interest or part of an interest in a business shall be treated as a sale of part of the business, and
- (b) the payment, under a partnership agreement or otherwise, of a sum in satisfaction of the whole or part of an interest in a business otherwise than on a sale shall be treated as a sale of the interest or part at the time of payment.

(7) For the purposes of this section—

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- (a) the value of a business or of an interest in a business shall be taken to be its net value;
- (b) the net value of a business is the value of the assets used in the business (including goodwill) reduced by the aggregate amount of any liabilities incurred for the purposes of the business;
- (c) in ascertaining the net value of an interest in a business, no regard shall be had to assets or liabilities other than those by reference to which the net value of the business would have fallen to be ascertained if the tax had been attributable to the entire business; and
- (d) “business” includes a business carried on in the exercise of a profession or vocation, but does not include a business carried on otherwise than for gain.

Textual Amendments

- F1** Finance Act 1987 Sch. 8, para. 15(1), *with effect from 17 March 1987. Originally*
“Subsection (1) above does not apply to tax payable on the value transferred by a potentially exempt transfer which proves to be a chargeable transfer, except to the extent that the tax is attributable to qualifying property which is owned by the transferee immediately before the death of the transferor (or, if earlier, his own death).”
as inserted by Finance Act 1986 Sch. 19, para. 31(1) with effect from 18 March 1986.
- F2** [S. 227\(1AA\)](#) inserted (16.7.1992) by [Finance \(No. 2\) Act 1992 \(c. 48\)](#), s. 73, Sch. 14 paras. 5, 8, 9.
- F3** Word in [s. 227\(1AA\)](#) substituted (29.4.1996 with effect as mentioned in [Sch. 38 para. 5\(2\)](#) of the amending Act) by [1996 c. 8, s. 199, Sch. 38 para. 5\(1\)](#)
- F4** Finance Act 1986 Sch. 19, para. 31(1), *with effect from 18 March 1986.*
- F5** Finance Act 1987 Sch. 8, para. 15(2), *with effect from 17 March 1987. Originally*
“subsection (1A) above.”
- F6** Finance Act 1987 Sch. 8, para. 15(3), *with effect from 17 March 1987.*
- F7** Finance Act 1986 Sch. 19, para. 31(2), *with effect from 18 March 1986.*

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