



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]

Special cases—charges to tax

^[F1]71D Age 18-to-25 trusts

- (1) This section applies to settled property (including property settled before 22nd March 2006), but subject to subsection (5) below, if—
 - (a) the property is held on trusts for the benefit of a person who has not yet attained the age of 25,
 - (b) at least one of the person's parents has died, and
 - (c) subsection (2) below applies to the trusts.
- (2) This subsection applies to trusts—
 - (a) established under the will of a deceased parent of the person mentioned in subsection (1)(a) above, or
 - (b) established under the Criminal Injuries Compensation Scheme,^[F2] or
 - (c) established under the Victims of Overseas Terrorism Compensation Scheme,] which secure that the conditions in subsection (6) below are met.
- (3) Subsection (4) has effect where—
 - (a) at any time on or after 22nd March 2006 but before 6th April 2008, or on the coming into force of paragraph 3(1) of Schedule 20 to the Finance Act 2006,

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- any property ceases to be property to which section 71 above applies without ceasing to be settled property, and
- (b) immediately after the property ceases to be property to which section 71 above applies—
- (i) it is held on trusts for the benefit of a person who has not yet attained the age of 25, and
 - (ii) the trusts secure that the conditions in subsection (6) below are met.
- (4) From the time when the property ceases to be property to which section 71 above applies, but subject to subsection (5) below, this section applies to the property (if it would not apply to the property by virtue of subsection (1) above) for so long as—
- (a) the property continues to be settled property held on trusts such as are mentioned in subsection (3)(b)(i) above, and
 - (b) the trusts continue to secure that the conditions in subsection (6) below are met.
- (5) This section does not apply—
- (a) to property to which section 71A above applies,
 - (b) to property to which section 71 above, or section 89 below, applies, or
 - (c) to settled property if a person is beneficially entitled to an interest in possession in the settled property and—
 - (i) the person became beneficially entitled to the interest in possession before 22nd March 2006, or
 - (ii) the interest in possession is an immediate post-death interest, or a transitional serial interest, and the person became beneficially entitled to it on or after 22nd March 2006.
- (6) Those conditions are—
- (a) that the person mentioned in subsection (1)(a) or (3)(b)(i) above (“B”), if he has not done so before attaining the age of 25, will on attaining that age become absolutely entitled to—
 - (i) the settled property,
 - (ii) any income arising from it, and
 - (iii) any income that has arisen from the property held on the trusts for his benefit and been accumulated before that time,
 - (b) that, for so long as B is living and under the age of 25, if any of the settled property is applied for the benefit of a beneficiary, it is applied for the benefit of B, and
 - (c) that, for so long as B is living and under the age of 25, either—
 - (i) B is entitled to all of the income (if there is any) arising from any of the settled property, or
 - ^{F3}(ii) if any of the income arising from any of the settled property is applied for the benefit of a beneficiary, it is applied for the benefit of B.]
- [Where the income arising from the settled property is held on trusts of the kind ^{F4}(6A) described in section 33 of the Trustee Act 1925 (protective trusts), paragraphs (b) and (c) of subsection (6) have effect as if for “living and under the age of 25,” there were substituted “under the age of 25 and the income arising from the settled property is held on trust for B,]

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- (7) For the purposes of this section, trusts are not to be treated as failing to secure that the conditions in subsection (6) above are met by reason only of—
- [the trustees' having powers that enable them to apply otherwise than for the benefit of B amounts (whether consisting of income or capital, or both) not exceeding the annual limit,]
- ^{F5}(za) the trustees' having powers that enable them to apply otherwise than for the benefit of B amounts (whether consisting of income or capital, or both) not exceeding the annual limit,]
- (a) the trustees' having the powers conferred by section 32 of the Trustee Act 1925 (powers of advancement),
 - (b) the trustees' having those powers but free from, or subject to a less restrictive limitation than, the limitation imposed by proviso (a) of subsection (1) of that section,
 - (c) the trustees' having the powers conferred by section 33 of the Trustee Act (Northern Ireland) 1958 (corresponding provision for Northern Ireland),
 - (d) the trustees' having those powers but free from, or subject to a less restrictive limitation than, the limitation imposed by subsection (1)(a) of that section, or
 - (e) the trustees' having powers to the like effect as the powers mentioned in any of paragraphs (a) to (d) above.
- [For the purposes of this section and section 71E, the “annual limit” is whichever is
- ^{F6}(7A) the lower of the following amounts—
- (a) £3,000, and
 - (b) 3% of the amount that is the maximum value of the settled property during the period in question.
- (7B) For those purposes the annual limit applies in relation to each period of 12 months that begins on 6 April.
- (7C) The Treasury may by order made by statutory instrument—
- (a) specify circumstances in which subsection (7)(za) is, or is not, to apply in relation to a trust, and
 - (b) amend the definition of “the annual limit” in subsection (7A).
- (7D) An order under subsection (7C) may—
- (a) make different provision for different cases, and
 - (b) contain transitional and saving provision.
- (7E) A statutory instrument containing an order under subsection (7C) may not be made unless a draft of the instrument has been laid before, and approved by a resolution of, the House of Commons.]
- (8) In this section “the Criminal Injuries Compensation Scheme” means—
- (a) the schemes established by arrangements made under the Criminal Injuries Compensation Act 1995,
 - (b) arrangements made by the Secretary of State for compensation for criminal injuries in operation before the commencement of those schemes, and
 - (c) the scheme established under the Criminal Injuries Compensation (Northern Ireland) Order 2002.
- (9) The preceding provisions of this section apply in relation to Scotland—
- (a) as if, in subsection (2) above, before “which” there were inserted the purposes of, and
 - (b) as if, in subsections (3)(b)(ii) and (4)(b) above, before “trusts” there were inserted purposes of the.]

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Textual Amendments

- F1** Ss. 71A-71H inserted (22.3.2006) by [Finance Act 2006 \(c. 25\)](#), s. 156, **Sch. 20 para. 1(1)(2)**
- F2** S. 71D(2)(c) and preceding word inserted (8.4.2010) by Crime and Security Act 2010, ss. 48(4), 59(2) (b), {Sch. 2 para. 2(3)}
- F3** S. 71D(6)(c)(ii) substituted (with effect in accordance with Sch. 44 para. 9(1) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), **Sch. 44 para. 4(2)**
- F4** S. 71D(6A) inserted (with effect in accordance with Sch. 44 para. 9(1) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), **Sch. 44 para. 4(3)**
- F5** S. 71D(7)(za) inserted (with effect in accordance with Sch. 44 para. 9(1) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), **Sch. 44 para. 4(4)**
- F6** Ss. 71D(7A)-(7E) inserted (with effect in accordance with Sch. 44 para. 9(1) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), **Sch. 44 para. 4(5)**

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