
Changes to legislation: There are currently no known outstanding effects for the Finance Act 1986, Paragraph 2. (See end of Document for details)

SCHEDULE 20

GIFTS WITH RESERVATION

Interpretation and application

- 2 (1) Where the disposal by way of gift and, at any time before the material date, the donee ceases to have possession and enjoyment of any of the property comprised in the gift, then on and after that time the principal section and the following provisions of this Schedule shall apply as if the property, if any, received by the donee in substitution for that property had been comprised in the gift instead of that property (but in addition to any other property comprised in the gift).
- (2) This paragraph does not apply if the property disposed of by the gift—
- becomes settled property by virtue of the gift; or
 - is a sum of money in sterling or any other currency.
- (3) In sub-paragraph (1) above the reference to the property received by the donee in substitution for property comprised in the gift includes in particular—
- in relation to property sold, exchanged or otherwise disposed of by the donee, any benefit received by him by way of consideration for the sale, exchange or other disposition; and
 - in relation to a debt or security, any benefit received by the donee in or towards the satisfaction or redemption thereof; and
 - in relation to any right to acquire property, any property acquired in pursuance of that right.
- (4) Where, at a time before the material date, the donee makes a gift of property comprised in the gift to him, or otherwise voluntarily divests himself of such property otherwise than for a consideration in money or money's worth not less than the value of the property at that time, then, unless he does so in favour of the donor, he shall be treated for the purposes of the principal section and sub-paragraph (1) above as continuing to have possession and enjoyment of that property.
- (5) For the purposes of sub-paragraph (4) above—
- a disposition made by the donee by agreement shall not be deemed to be made voluntarily if it is made to any authority who, when the agreement is made, is authorised by, or is or can be authorised under, any enactment to acquire the property compulsorily; and
 - a donee shall be treated as divesting himself, voluntarily and without consideration, of any interest in property which merges or is extinguished in another interest held or acquired by him in the same property.
- (6) Where any shares in or debentures of a body corporate are comprised in a gift and the donee is, as the holder of those shares or debentures, issued with shares in or debentures of the same or any other body corporate, or granted any right to acquire any such shares or debentures, then, unless the issue or grant is made by way of exchange for the first-mentioned shares or debentures, the shares or debentures so issued, or the right granted, shall be treated for the purposes of the principal section and this Schedule as having been comprised in the gift in addition to any other property so comprised.
- (7) In sub-paragraph (6) above the reference to an issue being made or right being granted to the donee as the holder of shares or debentures shall be taken to include

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any case in which an issue or grant is made to him as having been the holder of those shares or debentures, or is made to him in pursuance of an offer or invitation made to him as being or having been the holder of those shares or debentures, or of an offer or invitation in connection with which any preference is given to him as being or having been the holder thereof.

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