



Finance Act 2002

2002 CHAPTER 23

PART 5

OTHER TAXES

Inheritance tax

119 IHT: powers over, or exercisable in relation to, settled property or a settlement

- (1) The Inheritance Tax Act 1984 is amended in accordance with the following provisions of this section.
- (2) After section 47 (meaning of “reversionary interest”) insert—

“47A Settlement power

In this Act “settlement power” means any power over, or exercisable (whether directly or indirectly) in relation to, settled property or a settlement.”.

- (3) After section 55 (reversionary interest acquired by beneficiary) insert—

“55A Purchased settlement powers

- (1) Where a person makes a disposition by which he acquires a settlement power for consideration in money or money’s worth—
 - (a) section 10(1) above shall not apply to the disposition;
 - (b) the person shall be taken for the purposes of this Act to make a transfer of value;
 - (c) the value transferred shall be determined without bringing into account the value of anything which the person acquires by the disposition; and
 - (d) sections 18 and 23 to 27 above shall not apply in relation to that transfer of value.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2002, Section 119. (See end of Document for details)

- (2) For the purposes of this section, a person acquires a settlement power if he becomes entitled—
- (a) to a settlement power,
 - (b) to exercise, or to secure or prevent the exercise of, a settlement power (whether directly or indirectly), or
 - (c) to restrict, or secure a restriction on, the exercise of a settlement power (whether directly or indirectly),
- as a result of transactions which include a disposition (whether to him or another) of a settlement power or of any power of a kind described in paragraph (b) or (c) above which is exercisable in relation to a settlement power.”.
- (4) In section 272 (general interpretation)—
- (a) insert the following definition at the appropriate place—
““settlement power” has the meaning given by section 47A above;”;
- and
- (b) in the definition of “property”, at the end insert “ but does not include a settlement power ”.
- (5) In consequence of the amendments made by this section, the title of Chapter 2 of Part 3 of the Inheritance Tax Act 1984 (c. 51) becomes “Interests in possession, reversionary interests and settlement powers”.
- (6) The amendments made by this section have effect in relation to transfers of value on or after 17th April 2002.
- (7) The amendments made by subsections (2) and (4) shall also be deemed always to have had effect (subject to and in accordance with the other provisions of the Inheritance Tax Act 1984) for the purpose of determining the value, immediately before his death, of the estate of any person who died before 17th April 2002, for the purposes of the transfer of value which that person is treated by section 4(1) of that Act as having made immediately before his death.

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 2002, Section 119.