



Finance Act 2016

2016 CHAPTER 24

PART 5

INHERITANCE TAX ETC

93 Inheritance tax: increased nil-rate band

Schedule 15 contains provision in connection with the increased nil-rate band provided for by section 8D of IHTA 1984 (extra nil-rate band on death if interest in home goes to descendants etc).

94 Inheritance tax: pension drawdown funds

- (1) IHTA 1984 is amended as follows.
- (2) In the italic heading before section 10, at the end insert “ (and omissions that do not give rise to deemed dispositions) ”.
- (3) In section 12(2G) (interpretation of section 12(2ZA)), in the definition of “entitled”, for “166(2)” substitute “ 167(1A), or section 166(2), ”.
- (4) After section 12 insert—

“12A Pension drawdown fund not used up: no deemed disposition

- (1) Where a person has a drawdown fund, section 3(3) above does not apply in relation to any omission that results in the fund not being used up in the person's lifetime.
- (2) For the purposes of subsection (1) above, a person has a drawdown fund if the person has—
 - (a) a member's drawdown pension fund,
 - (b) a member's flexi-access drawdown fund,
 - (c) a dependant's drawdown pension fund,

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- (d) a dependant's flexi-access drawdown fund,
 - (e) a nominee's flexi-access drawdown fund, or
 - (f) a successor's flexi-access drawdown fund, and

in respect of a money purchase arrangement under a registered pension scheme.
- (3) For the purposes of subsection (1) above, a person also has a drawdown fund if sums or assets held for the purposes of a money purchase arrangement under a corresponding scheme would, if that scheme were a registered pension scheme, be the person's—
 - (a) member's drawdown pension fund,
 - (b) member's flexi-access drawdown fund,
 - (c) dependant's drawdown pension fund,
 - (d) dependant's flexi-access drawdown fund,
 - (e) nominee's flexi-access drawdown fund, or
 - (f) successor's flexi-access drawdown fund,

in respect of the arrangement.
- (4) In this section—
 - “corresponding scheme” means—
 - (a) a qualifying non-UK pension scheme (see section 271A below), or
 - (b) a section 615(3) scheme that is not a registered pension scheme;

“money purchase arrangement” has the same meaning as in Part 4 of the Finance Act 2004 (see section 152 of that Act);

“member's drawdown pension fund”, “member's flexi-access drawdown fund”, “dependant's drawdown pension fund”, “dependant's flexi-access drawdown fund”, “nominee's flexi-access drawdown fund” and “successor's flexi-access drawdown fund” have the meaning given, respectively, by paragraphs 8, 8A, 22, 22A, 27E and 27K of Schedule 28 to that Act.”
- (5) The amendment made by subsection (4)—
 - (a) so far as relating to a fund within the new section 12A(2)(a) or (c) (drawdown pension funds), or to a fund within the new section 12A(3) that corresponds to a fund within the new section 12A(2)(a) or (c)—
 - (i) has effect where the person who has the fund dies on or after 6 April 2011, and
 - (ii) is to be treated as having come into force on 6 April 2011, and
 - (b) so far as relating to a fund mentioned in the new section 12A(2)(b), (d), (e) or (f) (flexi-access drawdown funds), or to a fund within the new section 12A(3) that corresponds to a fund within the new section 12A(2)(b), (d), (e) or (f)—
 - (i) has effect where the person who has the fund dies on or after 6 April 2015, and
 - (ii) is to be treated as having come into force on 6 April 2015.
- (6) Where an amount paid by way of—
 - (a) inheritance tax, or
 - (b) interest on inheritance tax,

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is repayable as a result of the amendment made by subsection (4), section 241(1) of IHTA 1984 applies as if the last date for making a claim for repayment of the amount were 5 April 2020 if that is later than what would otherwise be the last date for that purpose.

95 Inheritance tax: victims of persecution during Second World War era

(1) After section 153 of IHTA 1984 insert—

“Payments to victims of persecution during Second World War era

153ZA Qualifying payments

- (1) This section applies where a qualifying payment has at any time been received by a person (“P”), or by the personal representatives of P.
- (2) The tax chargeable on the value transferred by the transfer made on P's death (the “value transferred”) is to be reduced by an amount equal to—
 - (a) the relevant percentage of the amount of the qualifying payment, or
 - (b) if lower, the amount of tax that would, apart from this section, be chargeable on the value transferred.
- (3) In subsection (2) “relevant percentage” means the percentage specified in the last row of the third column of the Table in Schedule 1.
- (4) For the purposes of this section, a “qualifying payment” is a payment that meets Condition A, B or C.
- (5) Condition A is that the payment—
 - (a) is of a kind specified in Part 1 of Schedule 5A, and
 - (b) is made to a person, or the personal representatives of a person, who was—
 - (i) a victim of National-Socialist persecution, or
 - (ii) the spouse or civil partner of a person within subparagraph (i).
- (6) Condition B is that the payment is of a kind listed in Part 2 of Schedule 5A.
- (7) Condition C is that the payment—
 - (a) is of a kind specified in regulations made by the Treasury, and
 - (b) is made to a person, or the personal representatives of a person, who was—
 - (i) held as a prisoner of war, or a civilian internee, during the Second World War, or
 - (ii) the spouse or civil partner of a person within subparagraph (i).
- (8) The Treasury may by regulations add a payment of a specified kind to the list in Part 1 of Schedule 5A.
- (9) Regulations under this section are to be made by statutory instrument.

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(10) A statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of the House of Commons.”

(2) After Schedule 5 to IHTA 1984 insert—

“SCHEDULE 5A

Section 153ZA

QUALIFYING PAYMENTS: VICTIMS OF
 PERSECUTION DURING SECOND WORLD WAR ERA

PART 1

COMPENSATION PAYMENTS

- 1 A payment of a fixed amount from the German foundation known as “Remembrance, Responsibility and Future” (*Stiftung EVZ*) in respect of a person who was a slave or forced labourer.
- 2 A payment of a fixed amount in accordance with the arrangements made under the Swiss Bank Settlement (Holocaust Victim Assets Litigation) in respect of the slave or forced labourers qualifying for compensation under the Remembrance, Responsibility and Future scheme.
- 3 A payment of a fixed amount from the Hardship Fund established by the Government of the Federal Republic of Germany.
- 4 A payment of a fixed amount from the National Fund of the Republic of Austria for Victims of National-Socialism under the terms of the scheme as at June 1995.
- 5 A payment of a fixed amount in respect of a slave or forced labourer from the Austrian Reconciliation Fund.
- 6 A payment of a fixed amount by the Swiss Refugee Programme in accordance with the arrangements made under the Swiss Bank Settlement (Holocaust Victim Assets Litigation) in respect of refugees.
- 7 A payment of a fixed amount under the foundation established in the Netherlands and known as the Dutch Maror Fund (*Stichting Maror-Gelden Overheid*).
- 8 A one-off payment of a fixed amount from the scheme established by the Government of the French Republic and known as the French Orphan Scheme.
- 9 A payment of a fixed amount from the Child Survivor Fund established by the Government of the Federal Republic of Germany.

PART 2

EX-GRATIA PAYMENTS

- 10 A payment of a fixed amount made from the scheme established by the United Kingdom Government and known as the Far Eastern Prisoners of War Ex Gratia Scheme.”

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- (3) The amendments made by this section have effect in relation to deaths occurring on or after 1 January 2015.

96 Inheritance tax: gifts for national purposes etc

- (1) The Schedule 3 IHTA approval function is transferred to the Treasury.
- (2) The “Schedule 3 IHTA approval function” is the function of approval conferred by Schedule 3 to IHTA 1984 in the entry beginning “Any other similar national institution” (and which was initially conferred on the Treasury but, along with other functions, transferred to the Commissioners of Inland Revenue under section 95 of FA 1985).
- (3) Subsection (1) does not affect any approval given under Schedule 3 to IHTA 1984 before this Act is passed.
- (4) In Schedule 3 to IHTA 1984 (gifts for national purposes, etc), in the entry beginning “Any museum”, after “and is” insert “or has been”.

97 Estate duty: objects of national, scientific, historic or artistic interest

- (1) Section 40 of FA 1930 and section 2 of the Finance Act (Northern Ireland) 1931 (exemption from death duties of objects of national etc interest), so far as continuing to have effect, have effect as if after subsection (2) there were inserted—

“(2A) In the event of the loss of any objects to which this section applies, estate duty shall become chargeable on the value of those objects in respect of the last death on which the objects passed at the rate appropriate to the principal value of the estate passing on that death upon which estate duty is leviable, and with which the objects would have been aggregated if they had not been objects to which this section applies.

(2B) Where subsection (2A) applies, any owner of the objects—

- (a) shall be accountable for the estate duty, and
- (b) shall deliver an account for the purposes thereof.

(2C) The account under subsection (2B)(b) must be delivered within the period of one month beginning with—

- (a) in the case of a loss occurring before the coming into force of subsection (2A)—
 - (i) the coming into force of subsection (2A), or
 - (ii) if later, the date when the owner became aware of the loss;
- (b) in the case of a loss occurring after the coming into force of subsection (2A)—
 - (i) the date of the loss, or
 - (ii) if later, the date when the owner became aware of the loss.

This is subject to subsection (2E).

(2D) Subsection (2E) applies if—

- (a) no account has been delivered under subsection (2B),

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- (b) the Commissioners for Her Majesty's Revenue and Customs have by notice required an owner of the objects to confirm that the objects have not been lost,
 - (c) the owner has not so confirmed by the end of—
 - (i) the period of three months beginning with the day on which the notice was sent, or
 - (ii) such longer period as the Commissioners may allow, and
 - (d) the Commissioners are satisfied that the objects are lost.
- (2E) Where this subsection applies—
 - (a) the objects are to be treated as lost for the purposes of subsection (2A) on the day on which the Commissioners are satisfied as specified in subsection (2D)(d), and
 - (b) the account under subsection (2B)(b) must be delivered within the period of one month beginning with that date.
- (2F) The reference in subsection (2A) to the value of objects is to their value at the time they are lost (or treated as lost).
- (2G) Subsection (2A) does not apply in relation to a loss notified to the Commissioners before the coming into force of that subsection.
- (2H) In this section “owner”, in relation to any objects, means a person who, if the objects were sold, would be entitled to receive (whether for their own benefit or not) the proceeds of sale or any income arising therefrom.
- (2I) In this section references to the loss of objects include their theft or destruction; but do not include a loss which the Commissioners are satisfied was outside the owner's control.”
- (2) Section 48 of FA 1950, so far as continuing to have effect, has effect as if—
 - (a) after subsection (3) there were inserted—

“(3A) But where the value of any objects is chargeable with estate duty under subsection (2A) of the said section forty (loss of objects), no estate duty shall be chargeable under this section on that value.”;
 - (b) after subsection (4) there were inserted—

“(5) Where any objects are lost (within the meaning of the said section forty) after becoming chargeable with estate duty under this section in respect of any death, the value of those objects shall not be chargeable with estate duty under subsection (2A) of the said section forty.”
- (3) Section 39 of FA 1969, so far as continuing to have effect, has effect as if—
 - (a) in subsection (1)—
 - (i) after “subsection (2)” there were inserted “ or (2A) ”;
 - (ii) after “other disposal” there were inserted “ or loss ”;
 - (b) in subsection (2), after “subsection (2)” there were inserted “ , (2A) ”;
 - (c) in subsection (3)—
 - (i) after “subsection (2)” there were inserted “ , (2A) ”;
 - (ii) for the words from “the amount” to the end there were substituted “ the amount in respect of which estate duty is chargeable under the said subsection ”.

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- (4) Section 6 of the Finance Act (Northern Ireland) 1969, so far as continuing to have effect as originally enacted, has effect as if—
- (a) in subsection (1)—
 - (i) after “subsection (2)” there were inserted “ or (2A) ”;
 - (ii) after “sale” there were inserted “ or loss ”;
 - (b) in subsection (2)—
 - (i) for “sale” there were substituted “ event ”;
 - (ii) after “subsection (2)” there were inserted “ or (2A) ”;
 - (c) in subsection (3)—
 - (i) for “sale” there were substituted “ event ”;
 - (ii) after “subsection (2)” there were inserted “ or (2A) ”;
 - (iii) for “the amount of the proceeds of sale” there were substituted “ the amount in respect of which estate duty is chargeable under the said subsection ”.
- (5) Section 6 of the Finance Act (Northern Ireland) 1969, so far as continuing to have effect as amended by Article 7 of the Finance (Northern Ireland) Order 1972 (S.I. 1972/1100 (N.I.11)) (deaths occurring after the making of that Order), has effect as if—
- (a) in subsection (1)—
 - (i) after “subsection (2)” there were inserted “ or (2A) ”;
 - (ii) after “sale” there were inserted “ or loss ”;
 - (b) in subsection (2), after “subsection (2)” there were inserted “ or (2A) ”;
 - (c) in subsection (3)—
 - (i) in the opening words, after “subsection (2)” there were inserted “ or (2A) ”;
 - (ii) in paragraphs (a) and (b), after “otherwise than on sale” there were inserted “ or at the time of the loss ”.
- (6) In section 35 of IHTA 1984 (conditional exemption on death before 7th April 1976), in subsection (2), for paragraphs (a) and (b) substitute—
- “(a) tax shall be chargeable under section 32 or 32A (as the case may be), or
 - (b) tax shall be chargeable under Schedule 5,”.
- (7) In Schedule 6 to IHTA 1984 (transition from estate duty), in paragraph 4 (objects of national etc interest left out of account on death)—
- (a) in sub-paragraph (2), for paragraphs (a) and (b) substitute—
 - “(a) tax shall be chargeable under section 32 or 32A of this Act (as the case may be), or
 - (b) estate duty shall be chargeable under those provisions,
- as the Board may elect, ”, and
- (b) in sub-paragraph (4), after “40(2)” insert “ or (2A) ”.
- (8) Subsections (6) and (7) have effect in relation to a chargeable event where the conditionally exempt transfer referred to in section 35(2) of or paragraph 4(2) of Schedule 6 to IHTA 1984 occurred after 16 March 2016.

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- Sch. 19 para. 12(5)(b) inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(c\)](#)
- Sch. 19 para. 12(5)(a) word inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(b\)](#)
- Sch. 19 para. 51(8)(b) words inserted by [2017 c. 32 Sch. 14 para. 48\(2\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(a\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(b\)](#)
- Sch. 19 para. 12(5)(a) words renumbered as Sch. 19 para. 12(5)(a) by [2017 c. 32 Sch. 14 para. 49\(2\)\(a\)](#)
- Sch. 19 para. 58(1) words substituted by [2017 c. 32 Sch. 14 para. 48\(5\)](#)
- Sch. 20 para. 1(4)(e) inserted by [2021 c. 26 Sch. 27 para. 47\(2\)](#)
- Sch. 20 para. 3(3)(d) and word inserted by [2021 c. 26 Sch. 27 para. 47\(3\)\(b\)](#)
- Sch. 20 para. 5(5) inserted by [2021 c. 26 Sch. 27 para. 47\(5\)](#)
- Sch. 22 para. 2(4B) inserted by [2021 c. 26 Sch. 27 para. 48\(2\)\(c\)](#)
- Sch. 22 para. 3(4A) inserted by [2021 c. 26 Sch. 27 para. 48\(3\)](#)