



# Inheritance Tax Act 1984

## 1984 CHAPTER 51

### PART I

#### GENERAL

##### *Rates*

#### 7 Rates.

- (1) [<sup>F1</sup>Subject to subsections (2), (4) and (5) below] the tax charged on the value transferred by a chargeable transfer made by any transferor shall be charged at the following rate or rates, that is to say—
- (a) if the transfer is the first chargeable transfer made by that transferor in the period of [<sup>F2</sup>seven years] ending with the date of the transfer, at the rate or rates applicable to that value under the . . . <sup>F3</sup> Table in Schedule 1 to this Act;
  - (b) in any other case, at the rate or rates applicable under that Table to such part of the aggregate of—
    - (i) that value, and
    - (ii) the values transferred by previous chargeable transfers made by him in that period,as is the highest part of that aggregate and is equal to that value.
- [<sup>F4</sup>(2) Except as provided by subsection (4) below, the tax charged on the value transferred by a chargeable transfer made before the death of the transferor shall be charged at one-half of the rate or rates referred to in subsection (1) above.]
- (3) In [<sup>F5</sup>the Table] in Schedule 1 to this Act any rate shown in the third column is that applicable to such portion of the value concerned as exceeds the lower limit shown in the first column but does not exceed the upper limit (if any) shown in the second column.
- [<sup>F6</sup>(4) Subject to subsection (5) below, subsection (2) above does not apply in the case of a chargeable transfer made at any time within the period of seven years ending with the death of the transferor but, in the case of a chargeable transfer made within

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that period but more than three years before the death, the tax charged on the value transferred shall be charged at the following percentage of the rate or rates referred to in subsection (1) above—

- (a) where the transfer is made more than three but not more than four years before the death, 80 per cent;
- (b) where the transfer is made more than four but not more than five years before the death, 60 per cent;
- (c) where the transfer is made more than five but not more than six years before the death, 40 per cent; and
- (d) where the transfer is made more than six but not more than seven years before the death, 20 per cent.

(5) If, in the case of a chargeable transfer made before the death of the transferor, the tax which would fall to be charged in accordance with subsection (4) above is less than the tax which would have been chargeable (in accordance with subsection (2) above) if the transferor had not died within the period of seven years beginning with the date of the transfer, subsection (4) above shall not apply in the case of that transfer.]

**Textual Amendments**

- F1** Finance Act 1986 Sch. 19, para. 2(1)(a), with effect from 18 March 1986.
- F2** Finance Act 1986 Sch. 19, para. 2(1)(b), with effect from 18 March 1986. Originally “ten years”.
- F3** Repealed by Finance Act 1986 s. 101(3) and Sch. 19, para. 2(1)(c), with effect from 18 March 1986.
- F4** Finance Act 1986 Sch. 19, para. 2(2), with effect from 18 March 1986. Originally “(2) Except as otherwise provided, the first Table in Schedule 1 to this Act is the appropriate Table for a transfer made on or at any time within three years of the death of the transferor, and the second Table in that Schedule is the appropriate Table for any other transfer.”
- F5** Finance Act 1986 Sch. 19, para. 2(3), with effect from 18 March 1986. Originally “each of the Tables”.
- F6** Finance Act 1986 Sch. 19, para. 2(4), with effect from 18 March 1986.

**8 Indexation of rate bands.**

(1) If the retail prices index for the month of [F7September in 1993] or any later year is higher than it was for the [F7previous September], then, unless Parliament otherwise determines, section 7 above and Schedule 1 to this Act shall apply to chargeable transfers made on or after 6th April in the following year with the substitution of [F8a new Table for the Table] applying (whether by virtue of this section or otherwise) to earlier chargeable transfers.

(1A) . . . . . F9

(2) The new [F10Table] shall differ from the [F10Table] it replaces in that for each of the amounts specified in the first and second columns there shall be substituted amounts arrived at by increasing the previous amounts by the same percentage as the percentage increase in the retail prices index and, if the result is not a multiple of £1,000, rounding it up to the nearest amount which is such a multiple.

(3) The references in this section to the retail prices index are references to the general index of retail prices (for all items) published by the [F11Statistics Board]; and if that

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index is not published for a month of [<sup>F7</sup>September] those references shall be construed as references to any substituted index or index figures published by [<sup>F12</sup>the Board].

- (4) The Treasury shall before 6th April [<sup>F7</sup>1994] and each subsequent 6th April make an order specifying the amounts which by virtue of this section will be treated, in relation to chargeable transfers on or after that date, as specified in the [<sup>F13</sup>Table] in Schedule 1 to this Act; and any such order shall be made by statutory instrument.

#### Textual Amendments

- F7** Words in s. 8(1)(3)(4) substituted (27.7.1993: the substituting section applying in relation to chargeable transfers made on or after 6.4.1994) by [1993 c. 34, s. 197\(1\)\(2\)](#).
- F8** Finance Act 1986 Sch. 19, para. 3(1), with effect from 18 March 1986. Originally “new Tables for the Tables”.
- F9** Finance Act 1986 Sch. 19, para. 3(2), with effect from 18 March 1986. repealed by 1988, s. 136(3) and Sch.14, Part X with effect from 15 March 1988.
- F10** Finance Act 1986 Sch. 19, para. 3(3), with effect from 18 March 1986. Originally “Tables”.
- F11** Words in s. 8(3) substituted (1.4.2008) by [Statistics and Registration Service Act 2007 \(c. 18\)](#), ss. 60(1), 74, [Sch. 3 para. 3\(a\)](#); S.I. 2008/839, [art. 2](#)
- F12** Words in s. 8(3) substituted (1.4.2008) by [Statistics and Registration Service Act 2007 \(c. 18\)](#), ss. 60(1), 74, [Sch. 3 para. 3\(b\)](#); S.I. 2008/839, [art. 2](#)
- F13** Finance Act 1986 Sch. 19, para. 3(4), with effect from 18 March 1986. Originally “Tables”.

#### Modifications etc. (not altering text)

- C1** S. 8(1) restricted (7.4.2005) by [Finance Act 2005 \(c. 7\)](#), [s. 98\(6\)](#)
- C2** S. 8(1) excluded (19.7.2006) by [Finance Act 2006 \(c. 25\)](#), [s. 155\(5\)](#)
- C3** S. 8 restricted (19.3.1997 with effect as mentioned in s. 93(2) of the amending Act) by [1997 c. 16, s. 93\(2\)](#)
- C4** S. 8 restricted (8.4.2010) by [Finance Act 2010 \(c. 13\)](#), [s. 8\(3\)](#)
- C5** S. 8(1) excluded (16.7.1992) by [Finance \(No. 2\) Act 1992 \(c. 48\)](#), [s. 72\(2\)](#).  
S. 8(1) excluded (27.7.1993) by [1993 c. 34, s. 196](#).  
S. 8(1) excluded (3.5.1994 with effect as mentioned in s. 246 of the amending Act) by [1994 c. 9, s. 246](#)
- C6** S. 8(1) restricted (24.7.2002) by [2002 c. 23, s. 118\(2\)](#)

### [<sup>F14</sup>8A] **Transfer of unused nil-rate band between spouses and civil partners**

- (1) This section applies where—
- immediately before the death of a person (a “deceased person”), the deceased person had a spouse or civil partner (“the survivor”), and
  - the deceased person had unused nil-rate band on death.
- (2) A person has unused nil-rate band on death if—

$$M > VT$$

where—

M is the maximum amount that could be transferred by a chargeable transfer made (under section 4 above) on the person's death if it were to be wholly chargeable to tax at the rate of nil per cent. (assuming, if necessary, that the value of the person's estate were sufficient but otherwise having regard to the circumstances of the person); and

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VT is the value actually transferred by the chargeable transfer so made (or nil if no chargeable transfer is so made).

- (3) Where a claim is made under this section, the nil-rate band maximum at the time of the survivor's death is to be treated for the purposes of the charge to tax on the death of the survivor as increased by the percentage specified in subsection (4) below (but subject to subsection (5) and section 8C below).
- (4) That percentage is—

$$\frac{E}{\text{NRBMD}} \times 100$$

where—

E is the amount by which M is greater than VT in the case of the deceased person; and  
 NRBMD is the nil-rate band maximum at the time of the deceased person's death.

- (5) If (apart from this subsection) the amount of the increase in the nil-rate band maximum at the time of the survivor's death effected by this section would exceed the amount of that nil-rate band maximum, the amount of the increase is limited to the amount of that nil-rate band maximum.
- (6) Subsection (5) above may apply either—
- (a) because the percentage mentioned in subsection (4) above (as reduced under section 8C below where that section applies) is more than 100 because of the amount by which M is greater than VT in the case of one deceased person, or
  - (b) because this section applies in relation to the survivor by reference to the death of more than one person who had unused nil-rate band on death.
- (7) In this Act “nil-rate band maximum” means the amount shown in the second column in the first row of the Table in Schedule 1 to this Act (upper limit of portion of value charged at rate of nil per cent.) and in the first column in the second row of that Table (lower limit of portion charged at next rate).

#### **Textual Amendments**

**F14** Ss. 8A-8C inserted (with effect as mentioned in [Sch. 4 para. 9\(1\)](#) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), s. 10, [Sch. 4 para. 2](#) (with transitional modifications in [Sch. 4 paras. 10, 11](#))

### **8B Claims under section 8A**

- (1) A claim under section 8A above may be made—
- (a) by the personal representatives of the survivor within the permitted period, or
  - (b) (if no claim is so made) by any other person liable to the tax chargeable on the survivor's death within such later period as an officer of Revenue and Customs may in the particular case allow.
- (2) If no claim under section 8A above has been made in relation to a person (P) by reference to whose death that section applies in relation to the survivor, the claim under that section in relation to the survivor may include a claim under that section in

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relation to P if that does not affect the tax chargeable on the value transferred by the chargeable transfer of value made on P's death.

- (3) In subsection (1)(a) above “the permitted period” means—
- (a) the period of two years from the end of the month in which the survivor dies or (if it ends later) the period of three months beginning with the date on which the personal representatives first act as such, or
  - (b) such longer period as an officer of Revenue and Customs may in the particular case allow.
- (4) A claim made within either of the periods mentioned in subsection (3)(a) above may be withdrawn no later than one month after the end of the period concerned.

#### Textual Amendments

**F14** Ss. 8A-8C inserted (with effect as mentioned in [Sch. 4 para. 9\(1\)](#) of the amending Act) by [Finance Act 2008 \(c. 9\)](#), s. 10, [Sch. 4 para. 2](#) (with transitional modifications in [Sch. 4 paras. 10, 11](#))

### 8C Section 8A and subsequent charges

- (1) This section applies where—
- (a) the conditions in subsection (1)(a) and (b) of section 8A above are met, and
  - (b) after the death of the deceased person, tax is charged on an amount under any of sections 32, 32A and 126 below by reference to the rate or rates that would have been applicable to the amount if it were included in the value transferred by the chargeable transfer made (under section 4 above) on the deceased person's death.
- (2) If the tax is charged before the death of the survivor, the percentage referred to in subsection (3) of section 8A above is (instead of that specified in subsection (4) of that section)—

$$\left( \frac{E}{\text{NRBMD}} - \frac{\text{TA}}{\text{NRBME}} \right) \times 100$$

where—

E and NRBMD have the same meaning as in subsection (4) of that section;

TA is the amount on which tax is charged; and

NRBME is the nil-rate band maximum at the time of the event occasioning the charge.

- (3) If this section has applied by reason of a previous event or events, the reference in subsection (2) to the fraction

$$\frac{\text{TA}}{\text{NRBME}}$$

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is to the aggregate of that fraction in respect of the current event and the previous event (or each of the previous events).

- (4) If the tax is charged after the death of the survivor, it is charged as if the personal nil-rate band maximum of the deceased person were appropriately reduced.
- (5) In subsection (4) above—

“the personal nil-rate band maximum of the deceased person” is the nil rate band maximum which is treated by Schedule 2 to this Act as applying in relation to the deceased person's death, increased in accordance with section 8A above where that section effected an increase in that nil-rate band maximum in the case of the deceased person (as survivor of another deceased person), and

“appropriately reduced” means reduced by the amount (if any) by which the amount on which tax was charged at the rate of nil per cent. on the death of the survivor was increased by reason of the operation of section 8A above by virtue of the position of the deceased person.]

#### **Textual Amendments**

- F14** Ss. 8A-8C inserted (with effect as mentioned in [Sch. 4 para. 9\(1\)](#) of the amending Act) by [Finance Act 2008 \(c. 9\), s. 10, Sch. 4 para. 2](#) (with transitional modifications in [Sch. 4 paras. 10, 11](#))

## **9 Transitional provisions on reduction of tax.**

The transitional provisions in Schedule 2 to this Act shall have effect in relation to any enactment by virtue of which tax is reduced by the substitution of [<sup>F15</sup>a new Table] in Schedule 1.

#### **Textual Amendments**

- F15** Finance Act 1986 Sch. 19, para. 4 *with effect from 18 March 1986. Originally* “new Tables”.

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