



Inheritance Tax Act 1984

1984 CHAPTER 51

PART I

GENERAL

Rates

[^{F1}8D Extra nil-rate band on death if interest in home goes to descendants etc

- (1) Subsections (2) and (3) apply for the purpose of calculating the amount of the charge to tax under section 4 on a person's death if the person dies on or after 6 April 2017.
- (2) If the person's residence nil-rate amount is greater than nil, the portion of VT that does not exceed the person's residence nil-rate amount is charged at the rate of 0%.
- (3) References in section 7(1) to the value transferred by the chargeable transfer under section 4 on the person's death are to be read as references to the remainder (if any) of VT.
- (4) The person's residence nil-rate amount is calculated in accordance with sections 8E to 8G [^{F2}(and see also section 8M)].
- (5) For the purposes of those sections and this section—
 - (a) the “residential enhancement” is—
 - (i) £100,000 for the tax year 2017-18,
 - (ii) £125,000 for the tax year 2018-19,
 - (iii) £150,000 for the tax year 2019-20, and
 - (iv) £175,000 for the tax year 2020-21 and subsequent tax years,but this is subject to subsections (6) and (7),
 - (b) the “taper threshold” is £2,000,000 for the tax year 2017-18 and subsequent tax years, but this is subject to subsections (6) and (7),
 - (c) TT is the taper threshold at the person's death,
 - (d) E is the value of the person's estate immediately before the person's death,

Changes to legislation: There are currently no known outstanding effects for the Inheritance Tax Act 1984, Section 8D. (See end of Document for details)

- (e) VT is the value transferred by the chargeable transfer under section 4 on the person's death,
- (f) the person's "default allowance" is the total of—
 - (i) the residential enhancement at the person's death, and
 - (ii) the person's brought-forward allowance (see section 8G), and
- (g) the person's "adjusted allowance" is—
 - (i) the person's default allowance, less
 - (ii) the amount given by—

$$\frac{E - TT}{2}$$

but is nil if that amount is greater than the person's default allowance.

- (6) Subsection (7) applies if—
 - (a) the consumer prices index for the month of September in any tax year ("the prior tax year") is higher than it was for the previous September, and
 - (b) the prior tax year is the tax year 2020-21 or a later tax year.
- (7) Unless Parliament otherwise determines, the amount of each of—
 - (a) the residential enhancement for the tax year following the prior tax year, and
 - (b) the taper threshold for that following tax year,
 is its amount for the prior tax year increased by the same percentage as the percentage increase in the index and, if the result is not a multiple of £1,000, rounded up to the nearest amount which is such a multiple.
- (8) The Treasury must before 6 April 2021 and each subsequent 6 April make an order specifying the amounts that in accordance with subsections (6) and (7) are the residential enhancement and taper threshold for the tax year beginning on that date; and any such order is to be made by statutory instrument.
- (9) In this section—
 - [^{F3}"consumer prices index" means the all items consumer prices index published by the Statistics Board,]
 - "tax year" means a year beginning on 6 April and ending on the following 5 April, and
 - "the tax year 2017-18" means the tax year beginning on 6 April 2017 (and any corresponding expression in which two years are similarly mentioned is to be read in the same way).]

Textual Amendments

- F1** Ss. 8D-8M inserted (18.11.2015) by [Finance \(No. 2\) Act 2015 \(c. 33\), s. 9\(4\)](#)
 - F2** Words in s. 8D(4) inserted (15.9.2016) by [Finance Act 2016 \(c. 24\), Sch. 15 para. 2\(2\)](#)
 - F3** Words in s. 8D(9) inserted (15.9.2016) by [Finance Act 2016 \(c. 24\), Sch. 15 para. 2\(3\)](#)
-

Modifications etc. (not altering text)

- C1** [S. 8D\(7\)](#) restricted (10.6.2021) by [Finance Act 2021 \(c. 26\), s. 86](#)

Changes to legislation:

There are currently no known outstanding effects for the Inheritance Tax Act 1984, Section 8D.