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SCHEDULES

SCHEDULE 15

CHARGE TO INCOME TAX ON BENEFITS RECEIVED BY FORMER OWNER OF PROPERTY

Exemptions from charge

- 11 (1) Paragraph 3 (land), paragraph 6 (chattels) and paragraph 8 (intangible property) do not apply to a person at a time when his estate for the purposes of IHTA 1984 includes—
- (a) the relevant property, or
 - (b) other property—
 - (i) which derives its value from the relevant property, and
 - (ii) whose value, so far as attributable to the relevant property, is not substantially less than the value of the relevant property.
- (2) Where the estate for the purposes of IHTA 1984 of a person to whom paragraph 3, 6 or 8 applies includes property—
- (a) which derives its value from the relevant property, and
 - (b) whose value, so far as attributable to the relevant property, is substantially less than the value of the relevant property,
- the appropriate rental value in paragraph 4, the appropriate amount in paragraph 7 or the chargeable amount in paragraph 9 (as the case may be) is to be reduced by such proportion as is reasonable to take account of the inclusion of the property in his estate.
- (3) Paragraphs 3, 6 and 8 do not apply to a person at a time when—
- (a) the relevant property, or
 - (b) any other property—
 - (i) which derives its value from the relevant property, and
 - (ii) whose value, so far as attributable to the relevant property, is not substantially less than the value of the relevant property,falls within sub-paragraph (5) in relation to him.
- (4) Where any property which falls within sub-paragraph (5) in relation to a person includes property—
- (a) which derives its value from the relevant property, and
 - (b) whose value, so far as attributable to the relevant property, is substantially less than the value of the relevant property,
- the appropriate rental value in paragraph 4, the appropriate amount in paragraph 7 or the chargeable amount in paragraph 9 (as the case may be) is to be reduced by such proportion as is reasonable to take account of that fact.
- (5) Property falls within this sub-paragraph in relation to a person at a time when it—

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- (a) would fall to be treated by virtue of any provision of Part 5 of the 1986 Act (inheritance tax) as property which in relation to him is property subject to a reservation,
 - (b) would fall to be so treated but for any of paragraphs (d) to (i) of subsection (5) of section 102 of the 1986 Act (certain cases where disposal by way of gift is an exempt transfer for purposes of inheritance tax),
 - (c) would fall to be so treated but for subsection (4) of section 102B of the 1986 Act (gifts with reservation: share of interest in land), or would have fallen to be so treated but for that subsection if the disposal by way of gift of an undivided share of an interest in land had been made on or after 9th March 1999, or
 - (d) would fall to be so treated but for section 102C(3) of, and paragraph 6 of Schedule 20 to, the 1986 Act (exclusion of benefit).
- (6) Where at any time the value of a person's estate for the purposes of IHTA 1984 is reduced by an excluded liability affecting any property, that property is not to be treated for the purposes of sub-paragraph (1) or (2) as comprised in his estate except to the extent that the value of the property exceeds the amount of the excluded liability.
- (7) For the purposes of sub-paragraph (6) a liability is an excluded liability if—
- (a) the creation of the liability, and
 - (b) any transaction by virtue of which the person's estate came to include the relevant property or property which derives its value from the relevant property or by virtue of which the value of property in his estate came to be derived from the relevant property,
- were associated operations, as defined by section 268 of IHTA 1984.
- (8) In determining whether any property falls within sub-paragraph (5)(b), (c) or (d) in a case where the contribution condition in paragraph 3(3) or 6(3) is met, paragraph 2(2)(b) of Schedule 20 (exclusion of gifts of money) is to be disregarded.
- (9) In [^{F1}this paragraph] “the relevant property” means—
- (a) in relation to paragraphs 3 and 6—
 - (i) where the disposal condition in paragraph 3(2) or 6(2) is met, the property disposed of,
 - (ii) where the contribution condition in paragraph 3(3) or 6(3) is met, the property representing the consideration directly or indirectly provided,
 - (b) in relation to paragraph 8, the relevant property within the meaning of that paragraph.
- (10) Property is not to be treated as falling within sub-paragraph (5)(b) at any time in a case falling within section 102(5)(h) of the 1986 Act unless the property remains subject to trusts which comply with the requirements of paragraph 3 (1) of Schedule 4 to IHTA 1984.
- [^{F2}(11) Sub-paragraph (12) applies where at any time—
- (a) the relevant property has ceased to be comprised in a person's estate for the purposes of IHTA 1984, or
 - (b) he has directly or indirectly provided any consideration for the acquisition of the relevant property,

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and at any subsequent time the relevant property or any derived property is comprised in his estate for the purposes of IHTA 1984 as a result of section 49(1) of that Act (treatment of interests in possession).

- (12) Where this sub-paragraph applies, the relevant property and any derived property—
- (a) are not to be treated for the purposes of sub-paragraphs (1) and (2) as comprised in his estate at that subsequent time, and
 - (b) are not to be treated as falling within sub-paragraph (5) in relation to him at that subsequent time.
- (13) For the purposes of sub-paragraphs (11) and (12) references, in relation to the relevant property, to any derived property are to other property—
- (a) which derives its value from the relevant property, and
 - (b) whose value, so far as attributable to the relevant property, is not substantially less than the value of the relevant property.]

Textual Amendments

- F1** Words in Sch. 15 para. 11(9) substituted (retrospective and with effect in accordance with s. 80(5) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 80\(2\)\(a\)\(8\)](#)
- F2** Sch. 15 para. 11(11)-(13) inserted (retrospective and with effect in accordance with s. 80(5) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 80\(2\)\(b\)\(8\)](#)

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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):

- s. 236ZA inserted by [S.I. 2024/357 art. 2\(2\)](#)