
Changes to legislation: There are currently no known outstanding effects for the Finance Act 2006,
Cross Heading: Potentially exempt transfers: provision in consequence of section 71 of IHTA 1984
not applying to property settled on or after 22nd March 2006. (See end of Document for details)

SCHEDULES

SCHEDULE 20

INHERITANCE TAX: RULES FOR TRUSTS ETC

PART 3

RELATED AMENDMENTS IN IHTA 1984

Potentially exempt transfers: provision in consequence of section 71 of IHTA 1984 not applying to property settled on or after 22nd March 2006

- 9 (1) Section 3A of IHTA 1984 (potentially exempt transfers) is amended as follows.
- (2) In subsection (1)(a) (transfer must be one made on or after 18th March 1986), after “1986” insert “ but before 22nd March 2006 ”.
- (3) After subsection (1) insert—
- “(1A) Any reference in this Act to a potentially exempt transfer is also a reference to a transfer of value—
- (a) which is made by an individual on or after 22nd March 2006,
 - (b) which, apart from this section, would be a chargeable transfer (or to the extent to which, apart from this section, it would be such a transfer), and
 - (c) to the extent that it constitutes—
 - (i) a gift to another individual,
 - (ii) a gift into a disabled trust, or
 - (iii) a gift into a bereaved minor's trust on the coming to an end of an immediate post-death interest.
- (1B) Subsections (1) and (1A) above have effect subject to any provision of this Act which provides that a disposition (or transfer of value) of a particular description is not a potentially exempt transfer.”
- (4) In subsection (2) (extent to which transfer is a gift to another individual), after “subsection (1)(c)” insert “ or (1A)(c)(i) ”.
- (5) After subsection (3) insert—
- “(3A) Subject to subsection (6) below, a transfer of value falls within subsection (1A)(c)(ii) above to the extent that the value transferred is attributable to property which, by virtue of the transfer, becomes settled property to which section 89 below applies.
- (3B) A transfer of value falls within subsection (1A)(c)(iii) above to the extent that the value transferred is attributable to settled property (whenever settled)

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that becomes property to which section 71A below applies in the following circumstances—

- (a) under the settlement, a person (“L”) is beneficially entitled to an interest in possession in the settled property,
 - (b) the interest in possession is an immediate post-death interest,
 - (c) on or after 22nd March 2006, but during L's life, the interest in possession comes to an end,
 - (d) L is beneficially entitled to the interest in possession immediately before it comes to an end, and
 - (e) on the interest in possession coming to an end, the property—
 - (i) continues to be held on the trusts of the settlement, and
 - (ii) becomes property to which section 71A below applies.”
- (6) In subsection (7) (application of section in relation to charge to tax under section 52), after “subsection (1)(a)” insert “ or (1A)(a) ”.

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