

## SCHEDULES

### SCHEDULE 20

#### INHERITANCE TAX: RULES FOR TRUSTS ETC

##### PART 5

###### PROPERTY SUBJECT TO A RESERVATION

33 (1) FA 1986 is amended as follows.

(2) After section 102 (gifts with reservation) insert—

**“102ZA Gifts with reservation: termination of interests in possession**

(1) Subsection (2) below applies where—

- (a) an individual is beneficially entitled to an interest in possession in settled property,
- (b) either—
  - (i) the individual became beneficially entitled to the interest in possession before 22nd March 2006, or
  - (ii) the individual became beneficially entitled to the interest in possession on or after 22nd March 2006 and the interest is an immediate post-death interest, a disabled person’s interest or a transitional serial interest, and
- (c) the interest in possession comes to an end during the individual’s life.

(2) For the purposes of—

- (a) section 102 above, and
- (b) Schedule 20 to this Act,

the individual shall be taken (if, or so far as, he would not otherwise be) to dispose, on the coming to an end of the interest in possession, of the no-longer-possessed property by way of gift.

(3) In subsection (2) above “the no-longer-possessed property” means the property in which the interest in possession subsisted immediately before it came to an end, other than any of it to which the individual becomes absolutely and beneficially entitled in possession on the coming to an end of the interest in possession.”

(3) In Schedule 20 (supplementary rules about gifts with reservation), after paragraph 4 insert—

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*Status: This is the original version (as it was originally enacted).*

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*“Termination of interests in possession*

- 4A (1) This paragraph applies where—
- (a) under section 102ZA of this Act, an individual (“D”) is taken to dispose of property by way of gift, and
  - (b) the property continues to be settled property immediately after the disposal.
- (2) Paragraphs 2 to 4 above shall not apply but, subject to the following provisions of this paragraph, the principal section and the following provisions of this Schedule shall apply as if the property comprised in the gift consisted of the property comprised in the settlement on the material date, except in so far as that property neither is, nor represents, nor is derived from, property originally comprised in the gift.
- (3) Any property which—
- (a) on the material date is comprised in the settlement, and
  - (b) is derived, directly or indirectly, from a loan made by D to the trustees of the settlement,
- shall be treated for the purposes of sub-paragraph (2) above as derived from property originally comprised in the gift.
- (4) If the settlement comes to an end at some time before the material date as respects all or any of the property which, if D had died immediately before that time, would be treated as comprised in the gift,—
- (a) the property in question, other than property to which D then becomes absolutely and beneficially entitled in possession, and
  - (b) any consideration (not consisting of rights under the settlement) given by D for any of the property to which D so becomes entitled,
- shall be treated as comprised in the gift (in addition to any other property so comprised).
- (5) Where, under any trust or power relating to settled property, income arising from that property after the material date is accumulated, the accumulations shall not be treated for the purposes of sub-paragraph (2) above as derived from that property.”

- (4) Sub-paragraphs (1) to (3) shall be deemed to have come into force on 22nd March 2006, but only as respects cases where an interest in possession comes to an end on or after that day.