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SCHEDULES

SCHEDULE 25

Section 117

INHERITANCE TAX

Introductory

1 IHTA 1984 is amended as follows.

Rate bands for tax years 2015-16, 2016-17 and 2017-18

2 Section 8 (indexation) does not have effect by virtue of any difference between the consumer prices index for the month of September in 2014, 2015 or 2016 and the previous September.

Treatment of certain liabilities

3 (1) After section 162A (liabilities attributable to financing excluded property) insert—

“162AA Liabilities attributable to financing non-residents' foreign currency accounts

(1) This section applies if—

- (a) in determining the value of a person's estate immediately before death, a balance on any qualifying foreign currency account (“the relevant balance”) is to be left out of account under section 157 (non-residents' bank accounts), and
- (b) the person has a liability which is attributable, in whole or in part, to financing (directly or indirectly) the relevant balance.

(2) To the extent that the liability is attributable as mentioned in subsection (1) (b), it may only be taken into account in determining the value of the person's estate immediately before death so far as permitted by subsection (3).

(3) If the amount of the liability that is attributable as mentioned in subsection (1)(b) exceeds the value of the relevant balance, the excess may be taken into account, but only so far as the excess does not arise for either of the reasons mentioned in subsection (4).

(4) The reasons are—

- (a) arrangements the main purpose, or one of the main purposes, of which is to secure a tax advantage, or
- (b) an increase in the amount of the liability (whether due to the accrual of interest or otherwise).

(5) In subsection (4)(a)—

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“arrangements” includes any scheme, transaction or series of transactions, agreement or understanding, whether or not legally enforceable, and any associated operations;

“tax advantage” means—

- (a) the avoidance or reduction of a charge to tax, or
- (b) the avoidance of a possible determination in respect of tax.”

(2) Section 162C (sections 162A and 162B: supplementary provision) is amended as follows.

(3) In the heading, after “162A” insert “, 162AA”.

(4) In subsection (1), after “162A(1) or (5)” insert “, 162AA(1)”.

(5) After subsection (1) insert—

“(1A) In a case in which the value of a person's estate immediately before death is to be determined, where a liability was discharged in part before that time—

- (a) any part of the liability that, at the time of discharge, was not attributable as mentioned in subsection (1) is, so far as possible, to be taken to have been discharged first,
- (b) any part of the liability that, at the time of discharge, was attributable as mentioned in section 162B(1)(b), (3)(b) or (5)(c) is, so far as possible, only to be taken to have been discharged after any part of the liability within paragraph (a) was discharged,
- (c) any part of the liability that, at the time of discharge, was attributable as mentioned in section 162AA(1) is, so far as possible, only to be taken to have been discharged after any parts of the liability within paragraph (a) or (b) were discharged, and
- (d) any part of the liability that, at the time of discharge, was attributable as mentioned in section 162A(1) or (5) is, so far as possible, only to be taken to have been discharged after any parts of the liability within paragraphs (a) to (c) were discharged.”

(6) In subsection (2)—

- (a) for “Where” substitute “ In any other case, where ”, and
- (b) in paragraph (a), for “subsection (1)” substitute “ section 162A(1) or (5) or 162B(1)(b), (3)(b) or (5)(c) ”.

(7) In section 175A (discharge of liabilities after death), in subsection (7)—

- (a) after paragraph (a) insert—
 - “(aa) any part of the liability that is attributable as mentioned in section 162AA(1) is, so far as possible, taken to be discharged only after any part of the liability within paragraph (a) is discharged,”,
- (b) in paragraph (b)—
 - (i) for “part”, in the second place it appears, substitute “ parts ”, and
 - (ii) for “(a) is” substitute “ (a) or (aa) are ”,
- (c) in paragraph (c)—
 - (i) for “paragraph (a) or (b)” substitute “ any of paragraphs (a) to (b) ”, and
 - (ii) for “either” substitute “ any ”.

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- (8) The amendments made by this paragraph have effect in relation to transfers of value made, or treated as made, on or after the day on which this Act is passed.

Ten-year anniversary charge

- 4 (1) In section 64 (charge at ten-year anniversary), after subsection (1) insert—
- “(1A) For the purposes of subsection (1) above, property held by the trustees of a settlement immediately before a ten-year anniversary is to be regarded as relevant property comprised in the settlement at that time if—
- (a) it is income of the settlement,
 - (b) the income arose before the start of the five years ending immediately before the ten-year anniversary,
 - (c) the income arose (directly or indirectly) from property comprised in the settlement that, when the income arose, was relevant property, and
 - (d) when the income arose, no person was beneficially entitled to an interest in possession in the property from which the income arose.
- (1B) Where the settlor of a settlement was not domiciled in the United Kingdom at the time the settlement was made, income of the settlement is not to be regarded as relevant property comprised in the settlement as a result of subsection (1A) above so far as the income—
- (a) is situated outside the United Kingdom, or
 - (b) is represented by a holding in an authorised unit trust or a share in an open-ended investment company.
- (1C) Income of the settlement is not to be regarded as relevant property comprised in the settlement as a result of subsection (1A) above so far as the income—
- (a) is represented by securities issued by the Treasury subject to a condition of the kind mentioned in subsection (2) of section 6 above, and
 - (b) it is shown that all known persons for whose benefit the settled property or income from it has been or might be applied, or who are or might become beneficially entitled to an interest in possession in it, are persons of a description specified in the condition in question.”

(2) In section 66 (rate of ten-yearly charge), after subsection (2) insert—

“(2A) Subsection (2) above does not apply to property which is regarded as relevant property as a result of section 64(1A) (and accordingly that property is charged to tax at the rate given by subsection (1) above).”

(3) The amendments made by this paragraph have effect in relation to occasions on which tax falls to be charged under section 64 of IHTA 1984 on or after 6 April 2014.

Delivery of account and payment of tax

- 5 (1) In section 216(6) (time for delivery of accounts), before paragraph (b) insert—
- “(ad) in the case of an account to be delivered by a person within subsection (1)(c) above, before the expiration of the period of six

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months from the end of the month in which the occasion concerned occurs;”.

- (2) In section 226 (payment of tax: general rules), after subsection (3B) insert—
- “(3C) Tax chargeable under Chapter 3 of Part 3 of this Act on the value transferred by a chargeable transfer, other than any for which the due date is given by subsection (3B) above, is due six months after the end of the month in which the chargeable transfer is made.”
- (3) In section 233 (interest on unpaid tax)—
- (a) in subsection (1)(a), after “transfer” insert “ not within paragraph (aa) below and ”,
- (b) after subsection (1)(a) insert—
- “(aa) an amount of tax charged under Chapter 3 of Part 3 of this Act on the value transferred by a chargeable transfer remains unpaid after the end of the period of six months beginning with the end of the month in which the chargeable transfer was made, or”, and
- (c) in subsection (1)(b), for “any other chargeable transfer” substitute “ a chargeable transfer not within paragraph (a) or (aa) above ”.
- (4) The amendments made by this paragraph have effect in relation to chargeable transfers made on or after 6 April 2014.

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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. 212(4)(f) and word inserted by [2021 c. 26 Sch. 27 para. 43\(b\)\(ii\)](#)
- s. 212(5)(a)(iv) and word inserted by [2021 c. 26 Sch. 27 para. 43\(c\)\(ii\)](#)
- s. 212(5)(b)(iv) and word inserted by [2021 c. 26 Sch. 27 para. 43\(c\)\(iv\)](#)
- s. 212(5)(c)(iv) and word inserted by [2021 c. 26 Sch. 27 para. 43\(c\)\(v\)](#)
- Sch. 31 para. 2(3)(b) inserted by [2017 c. 32 Sch. 14 para. 45\(2\)\(a\)\(iii\)](#)
- Sch. 31 para. 2(4A) inserted by [2017 c. 32 Sch. 14 para. 45\(2\)\(c\)](#)
- Sch. 31 para. 3(1A) inserted by [2017 c. 32 Sch. 14 para. 45\(3\)\(b\)](#)
- Sch. 31 para. 5(b) inserted by [2017 c. 32 Sch. 14 para. 45\(4\)\(c\)](#)
- Sch. 31 para. 2(3)(a) words inserted by [2017 c. 32 Sch. 14 para. 45\(2\)\(a\)\(ii\)](#)
- Sch. 31 para. 5(a) words inserted by [2017 c. 32 Sch. 14 para. 45\(4\)\(b\)](#)
- Sch. 31 para. 2(3)(a) words renumbered as Sch. 31 para. 2(3)(a) by [2017 c. 32 Sch. 14 para. 45\(2\)\(a\)\(i\)](#)
- Sch. 31 para. 5(a) words renumbered as Sch. 31 para. 5(a) by [2017 c. 32 Sch. 14 para. 45\(4\)\(a\)](#)
- Sch. 32 para. 1(2)(b) inserted by [2017 c. 32 Sch. 14 para. 46\(2\)\(a\)\(iii\)](#)
- Sch. 32 para. 1(3A) inserted by [2017 c. 32 Sch. 14 para. 46\(2\)\(c\)](#)
- Sch. 32 para. 1(2)(a) words inserted by [2017 c. 32 Sch. 14 para. 46\(2\)\(a\)\(ii\)](#)
- Sch. 32 para. 1(2)(a) words renumbered as Sch. 32 para. 1(2)(a) by [2017 c. 32 Sch. 14 para. 46\(2\)\(a\)\(i\)](#)