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SCHEDULES

SCHEDULE 37

COMPANIES OWNED BY EMPLOYEE-OWNERSHIP TRUSTS

PART 3

INHERITANCE TAX RELIEF

9 IHTA 1984 is amended as follows.

10 (1) After section 13 insert—

“13A Dispositions by close companies to employee-ownership trusts

(1) A disposition of property made to trustees by a close company (“C”) whereby the property is to be held on trusts of the description specified in section 86(1) is not a transfer of value if—

- (a) C meets the trading requirement,
- (b) the trusts are of a settlement which meets the all-employee benefit requirement, and
- (c) the settlement does not meet the controlling interest requirement immediately before the beginning of the tax year in which the disposition of property occurs but does meet it at the end of that year.

(2) Sections 236I, 236J, 236K, 236M and 236T (but not 236L) of the 1992 Act apply to determine whether—

- (a) C meets the trading requirement;
- (b) the settlement meets the all-employee benefit requirement;
- (c) the settlement meets the controlling interest requirement;

with references in those sections to “C” being read accordingly.

(3) In this section—

“close company” has the same meaning as in Part 4 of this Act;
“tax year” means a year beginning on 6 April and ending on the following 5 April.”

(2) The amendment made by this paragraph has effect in relation to dispositions of property made on or after 6 April 2014.

11 (1) After section 28 insert—

“28A Employee-ownership trusts

(1) A transfer of value made by an individual who is beneficially entitled to shares in a company (“C”) is an exempt transfer to the extent that the value

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transferred is attributable to shares in or securities of C which become comprised in a settlement if—

- (a) C meets the trading requirement,
- (b) the settlement meets the all-employee benefit requirement, and
- (c) the settlement does not meet the controlling interest requirement immediately before the beginning of the tax year in which the transfer of value is made but does meet it at the end of that year.

(2) Sections 236I, 236J, 236K, 236M and 236T (but not 236L) of the 1992 Act apply to determine whether—

- (a) C meets the trading requirement;
- (b) the settlement meets the all-employee benefit requirement;
- (c) the settlement meets the controlling interest requirement;

with references in those sections to “C” being read accordingly.

(3) In this section “tax year” means a year beginning on 6 April and ending on the following 5 April.”

(2) The amendment made by this paragraph has effect in relation to transfers of value made on or after 6 April 2014.

12 (1) In section 29A (abatement of exemption where claim settled out of beneficiary's own resources), in subsection (6)—

- (a) for “to 28” substitute “ to 28A ”, and
- (b) for “or 28” substitute “ , 28 or 28A ”.

(2) The amendment made by this paragraph has effect in relation to transfers of value made on or after 6 April 2014.

13 (1) Section 72 (property leaving employee trusts and newspaper trusts) is amended as follows.

(2) In subsection (2), after “Subject to subsections” insert “ (3A), ”.

(3) After subsection (3) insert—

“(3A) Where settled property ceases to be property to which this section applies because paragraph (d) of section 86(3) no longer applies, tax is not chargeable under this section by virtue of subsection (2)(a) if the only reason that paragraph no longer applies is that one or both of the trading requirement and the controlling interest requirement mentioned in that paragraph are no longer met with respect to the company so mentioned.”

(4) The amendments made by this paragraph are treated as having come into force on 6 April 2014.

14 (1) After section 75 insert—

“75A Property becoming subject to employee-ownership trust

(1) Tax is not charged under section 65 in respect of shares in or securities of a company (“C”) which cease to be relevant property on becoming held on trusts of the description specified in section 86(1) if the conditions in subsection (2) are satisfied.

(2) The conditions referred to in subsection (1) are—

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- (a) that C meets the trading requirement,
 - (b) that the trusts are of a settlement which meets the all-employee benefit requirement, and
 - (c) that the settlement does not meet the controlling interest requirement immediately before the beginning of the tax year in which the shares or securities cease to be relevant property but does meet it at the end of that year.
 - (3) Sections 236I, 236J, 236K, 236M and 236T (but not 236L) of the 1992 Act apply to determine whether—
 - (a) C meets the trading requirement;
 - (b) the settlement meets the all-employee benefit requirement;
 - (c) the settlement meets the controlling interest requirement;with references in those sections to “C” being read accordingly.
 - (4) In this section “tax year” means a year beginning on 6 April and ending on the following 5 April.”
 - (2) The amendment made by this paragraph is treated as having come into force on 6 April 2014.
- 15 (1) Section 86 (trusts for benefit of employees) is amended as follows.
- (2) In subsection (3), after paragraph (c) insert “, or
 - (d) the settled property consists of or includes ordinary share capital of a company which meets the trading requirement and the trusts on which the settled property is held are those of a settlement which—
 - (i) meets the controlling interest requirement with respect to the company, and
 - (ii) meets the all-employee benefit requirement with respect to the company.”
 - (3) After that subsection insert—

“(3A) For the purpose of determining whether subsection (3)(d) is satisfied in relation to settled property which consists of or includes ordinary share capital of a company—

 - (a) section 236I of the 1992 Act applies to determine whether the company meets the trading requirement (with references to “C” being read as references to that company),
 - (b) sections 236J, 236K, 236M and 236T (but not 236L) of the 1992 Act apply to determine whether the settlement meets the all-employee benefit requirement and the controlling interest requirement (with references in those sections to “C” being read as references to that company), and
 - (c) “ordinary share capital” has the meaning given by section 1119 of the Corporation Tax Act 2010.”
 - (4) The amendments made by this paragraph are treated as having come into force on 6 April 2014.
- 16 (1) In section 144 (distribution etc from property settled by will), in subsection (1)(b), after “section 75” insert “, 75A ”.

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- (2) The amendment made by this section is treated as having come into force on 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\(2\)\(a\)\(i\)](#)