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## SCHEDULES

### SCHEDULE 15

Section 93

#### INHERITANCE TAX: INCREASED NIL-RATE BAND

- 1 IHTA 1984 is amended as follows.
- 2 (1) Section 8D (extra nil-rate band on death if interest in home goes to descendants etc) is amended as follows.
- (2) In subsection (4), after “8G” insert “ (and see also section 8M) ”.
- (3) In subsection (9), before the definition of “tax year” insert—
- ““consumer prices index” means the all items consumer prices index published by the Statistics Board.”.
- 3 (1) Section 8E (residence nil-rate amount: interest in home goes to descendants etc) is amended as follows.
- (2) In subsection (6), after “(7)” insert “ and sections 8FC and 8M(2B) to (2E) ”.
- (3) In subsection (7), for paragraphs (a) and (b) substitute—
- “(a) the person's residence nil-rate amount is equal to VT,
- (b) where E is less than or equal to TT, an amount, equal to the difference between VT and the person's default allowance, is available for carry-forward, and
- (c) where E is greater than TT, an amount, equal to the difference between VT and the person's adjusted allowance, is available for carry-forward.”
- (4) In subsection (8)—
- (a) before the entry for section 8H insert— “ section 8FC (modifications of this section where there is entitlement to a downsizing addition), ”, and
- (b) in the entry for section 8H, after ““qualifying residential interest”” insert “, “qualifying former residential interest ” and “residential property interest” ”.
- 4 In section 8F(4) (list of other relevant sections)—
- (a) before the entry for section 8H insert— “ section 8FD (which applies instead of this section where there is entitlement to a downsizing addition), ”, and
- (b) in the entry for section 8H, after ““qualifying residential interest”” insert “, “qualifying former residential interest ” and “residential property interest” ”.
- 5 After section 8F insert—

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**“8FA Downsizing addition: entitlement: low-value death interest in home**

- (1) There is entitlement to a downsizing addition in calculating the person's residence nil-rate amount if each of conditions A to F is met (see subsection (8) for the amount of the addition).
- (2) Condition A is that—
  - (a) the person's residence nil-rate amount is given by section 8E(2) or (4), or
  - (b) the person's estate immediately before the person's death includes a qualifying residential interest but none of the interest is closely inherited, and—
    - (i) where E is less than or equal to TT, so much of VT as is attributable to the person's qualifying residential interest is less than the person's default allowance, or
    - (ii) where E is greater than TT, so much of VT as is attributable to the person's qualifying residential interest is less than the person's adjusted allowance.

Section 8E(6) and (7) do not apply, and any entitlement to a downsizing addition is to be ignored, when deciding whether paragraph (a) of condition A is met.

- (3) Condition B is that not all of VT is attributable to the person's qualifying residential interest.
- (4) Condition C is that there is a qualifying former residential interest in relation to the person (see sections 8H(4A) to (4F) and 8HA).
- (5) Condition D is that the value of the qualifying former residential interest exceeds so much of VT as is attributable to the person's qualifying residential interest.

Section 8FE(2) explains what is meant by the value of the qualifying former residential interest.

- (6) Condition E is that at least some of the remainder is closely inherited, where “the remainder” means everything included in the person's estate immediately before the person's death other than the person's qualifying residential interest.
- (7) Condition F is that a claim is made for the addition in accordance with section 8L(1) to (3).
- (8) Where there is entitlement as a result of this section, the addition—
  - (a) is equal to the lost relievable amount (see section 8FE) if that amount is less than so much of VT as is attributable to so much of the remainder as is closely inherited, and
  - (b) otherwise is equal to so much of VT as is attributable to so much of the remainder as is closely inherited.
- (9) Subsection (8) has effect subject to section 8M(2G) (reduction of downsizing addition in certain cases involving conditional exemption).

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- (10) See also—
- section 8FC (effect of an addition: section 8E case),
  - section 8FD (effect of an addition: section 8F case),
  - section 8H (meaning of “qualifying residential interest”, “qualifying former residential interest” and “residential property interest”),
  - section 8J (meaning of “inherit”),
  - section 8K (meaning of “closely inherited”), and
  - section 8M (cases involving conditional exemption).

### **8FB Downsizing addition: entitlement: no residential interest at death**

- (1) There is also entitlement to a downsizing addition in calculating the person's residence nil-rate amount if each of conditions G to K is met (see subsection (7) for the amount of the addition).
- (2) Condition G is that the person's estate immediately before the person's death (“the estate”) does not include a residential property interest.
- (3) Condition H is that VT is greater than nil.
- (4) Condition I is that there is a qualifying former residential interest in relation to the person (see sections 8H(4A) to (4F) and 8HA).
- (5) Condition J is that at least some of the estate is closely inherited.
- (6) Condition K is that a claim is made for the addition in accordance with section 8L(1) to (3).
- (7) Where there is entitlement as a result of this section, the addition—
  - (a) is equal to the lost relievable amount (see section 8FE) if that amount is less than so much of VT as is attributable to so much of the estate as is closely inherited, and
  - (b) otherwise is equal to so much of VT as is attributable to so much of the estate as is closely inherited.
- (8) Subsection (7) has effect subject to section 8M(2G) (reduction of downsizing addition in certain cases involving conditional exemption).
- (9) See also—
  - section 8FD (effect of an addition: section 8F case),
  - section 8H (meaning of “qualifying residential interest”, “qualifying former residential interest” and “residential property interest”),
  - section 8J (meaning of “inherit”),
  - section 8K (meaning of “closely inherited”), and
  - section 8M (cases involving conditional exemption).

### **8FC Downsizing addition: effect: section 8E case**

- (1) Subsection (2) applies if—
  - (a) as a result of section 8FA, there is entitlement to a downsizing addition in calculating the person's residence nil-rate amount, and
  - (b) the person's residence nil-rate amount is given by section 8E.

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- (2) Section 8E has effect as if, in subsections (2) to (5) of that section, each reference to NV/100 were a reference to the total of—
- (a) NV/100, and
  - (b) the downsizing addition.

**8FD Downsizing addition: effect: section 8F case**

- (1) This section applies if—
- (a) as a result of section 8FA or 8FB, there is entitlement to a downsizing addition in calculating the person's residence nil-rate amount, and
  - (b) apart from this section, the person's residence nil-rate amount is given by section 8F.
- (2) Subsections (3) to (6) apply instead of section 8F.
- (3) The person's residence nil-rate amount is equal to the downsizing addition.
- (4) Where—
- (a) E is less than or equal to TT, and the downsizing addition is equal to the person's default allowance, or
  - (b) E is greater than TT, and the downsizing addition is equal to the person's adjusted allowance,
- no amount is available for carry-forward.
- (5) Where—
- (a) E is less than or equal to TT, and
  - (b) the downsizing addition is less than the person's default allowance, an amount, equal to the difference between the downsizing addition and the person's default allowance, is available for carry-forward.
- (6) Where—
- (a) E is greater than TT, and
  - (b) the downsizing addition is less than the person's adjusted allowance, an amount, equal to the difference between the downsizing addition and the person's adjusted allowance, is available for carry-forward.

**8FE Calculation of lost relievable amount**

- (1) This section is about how to calculate the person's lost relievable amount for the purposes of sections 8FA(8) and 8FB(7).
- (2) For the purposes of this section and section 8FA(5), the value of the person's qualifying former residential interest is the value of the interest at the time of completion of the disposal of the interest.
- (3) In this section, the person's “former allowance” is the total of—
- (a) the residential enhancement at the time of completion of the disposal of the qualifying former residential interest,
  - (b) any brought-forward allowance that the person would have had if the person had died at that time, having regard to the circumstances of the person at that time (see section 8G as applied by subsection (4)), and

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- (c) if the person's allowance on death includes an amount of brought-forward allowance which is greater than the amount of brought-forward allowance given by paragraph (b), the difference between those two amounts.
- (4) For the purposes of calculating any brought-forward allowance that the person (“P”) would have had as mentioned in subsection (3)(b)—
- (a) section 8G (brought-forward allowance) applies, but as if references to the residential enhancement at P's death were references to the residential enhancement at the time of completion of the disposal of the qualifying former residential interest, and
  - (b) assume that a claim for brought-forward allowance was made in relation to an amount available for carry-forward from a related person's death if, on P's death, a claim was in fact made in relation to the amount.
- (5) For the purposes of subsection (3)(c), where the person's allowance on death is equal to the person's adjusted allowance, the amount of brought-forward allowance included in the person's allowance on death is calculated as follows.

*Step 1* Express the person's brought-forward allowance as a percentage of the person's default allowance.

*Step 2* Multiply—

$$\frac{E - TT}{2}$$

by the percentage given by step 1.

*Step 3* Reduce the person's brought-forward allowance by the amount given by step 2.

The result is the amount of brought-forward allowance included in the person's allowance on death.

- (6) If completion of the disposal of the qualifying former residential interest occurs before 6 April 2017—
- (a) for the purposes of subsection (3)(a), the residential enhancement at the time of completion of the disposal is treated as being £100,000, and
  - (b) for the purposes of subsection (3)(b), the amount of brought-forward allowance that the person would have had at that time is treated as being nil.
- (7) In this section, the person's “allowance on death” means—
- (a) where E is less than or equal to TT, the person's default allowance, or
  - (b) where E is greater than TT, the person's adjusted allowance.
- (8) For the purposes of this section, “completion” of the disposal of a residential property interest occurs at the time of the disposal or, if the disposal is under a contract which is completed by a conveyance, at the time when the interest is conveyed.

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- (9) Where, as a result of section 8FA, there is entitlement to a downsizing addition in calculating the person's residence nil-rate amount, take the following steps to calculate the person's lost relievable amount.

*Step 1* Express the value of the person's qualifying former residential interest as a percentage of the person's former allowance, but take that percentage to be 100% if it would otherwise be higher.

*Step 2* Express QRI as a percentage of the person's allowance on death, where QRI is so much of VT as is attributable to the person's qualifying residential interest, but take that percentage to be 100% if it would otherwise be higher.

*Step 3* Subtract the percentage given by step 2 from the percentage given by step 1, but take the result to be 0% if it would otherwise be negative. The result is P%.

*Step 4* The person's lost relievable amount is equal to P% of the person's allowance on death.

- (10) Where, as a result of section 8FB, there is entitlement to a downsizing addition in calculating the person's residence nil-rate amount, take the following steps to calculate the person's lost relievable amount.

*Step 1* Express the value of the person's qualifying former residential interest as a percentage of the person's former allowance, but take that percentage to be 100% if it would otherwise be higher.

*Step 2* Calculate that percentage of the person's allowance on death. The result is the person's lost relievable amount.”

- 6 In section 8G (meaning of “brought-forward allowance”), in subsection (3)(a), for “and 8F” substitute “, 8F and 8FD”.

- 7 (1) Section 8H (meaning of “qualifying residential interest”) is amended as follows.

- (2) In the heading, at the end insert “, “ qualifying former residential interest ” and “residential property interest” ”.

- (3) In subsection (1), for “and 8F” substitute “ to 8FE and section 8M ”.

- (4) In subsection (2), for “In this section” substitute “ A ”.

- (5) After subsection (4) insert—

“(4A) Subsection (4B) or (4C) applies where—

- (a) a person disposes of a residential property interest in a dwelling-house on or after 8 July 2015 (and before the person dies), and
- (b) the person's personal representatives nominate—
  - (i) where there is only one such dwelling-house, that dwelling-house, or
  - (ii) where there are two or more such dwelling-houses, one (and only one) of those dwelling-houses.

(4B) Where—

- (a) the person—
  - (i) disposes of a residential property interest in the nominated dwelling-house at a post-occupation time, or

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- (ii) disposes of two or more residential property interests in the nominated dwelling-house at the same post-occupation time or at post-occupation times on the same day, and
  - (b) the person does not otherwise dispose of residential property interests in the nominated dwelling-house at post-occupation times, the interest disposed of is, or the interests disposed of are, a qualifying former residential interest in relation to the person.
- (4C) Where—
  - (a) the person disposes of residential property interests in the nominated dwelling-house at post-occupation times on two or more days, and
  - (b) the person's personal representatives nominate one (and only one) of those days,the interest or interests disposed of at post-occupation times on the nominated day is or are a qualifying former residential interest in relation to the person.
- (4D) For the purposes of subsections (4A) to (4C)—
  - (a) a person is to be treated as not disposing of a residential property interest in a dwelling-house where the person disposes of an interest in the dwelling-house by way of gift and the interest is, in relation to the gift and the donor, property subject to a reservation within the meaning of section 102 of the Finance Act 1986 (gifts with reservation), and
  - (b) a person is to be treated as disposing of a residential property interest in a dwelling-house if the person is treated as making a potentially exempt transfer of the interest as a result of the operation of section 102(4) of that Act (property ceasing to be subject to a reservation).
- (4E) Where—
  - (a) a transfer of value by a person is a conditionally exempt transfer of a residential property interest, and
  - (b) at the time of the person's death, no chargeable event has occurred with respect to that interest,that interest may not be, or be included in, a qualifying former residential interest in relation to the person.
- (4F) In subsections (4B) and (4C) “post-occupation time” means a time—
  - (a) on or after 8 July 2015,
  - (b) after the nominated dwelling-house first became the person's residence, and
  - (c) before the person dies.
- (4G) For the purposes of subsections (4A) to (4C), if the disposal is under a contract which is completed by a conveyance, the disposal occurs at the time when the interest is conveyed.”

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### **“8HA Qualifying former residential interest”: interests in possession**

- (1) This section applies for the purposes of determining whether certain interests may be, or be included in, a qualifying former residential interest in relation to a person (see section 8H(4A) to (4C)).
- (2) This section applies where—
  - (a) a person (“P”) is beneficially entitled to an interest in possession in settled property, and
  - (b) the settled property consists of, or includes, an interest in a dwelling-house.
- (3) Subsection (4) applies where—
  - (a) the trustees of the settlement dispose of the interest in the dwelling-house to a person other than P,
  - (b) P's interest in possession in the settled property subsists immediately before the disposal, and
  - (c) P's interest in possession—
    - (i) falls within subsection (7) throughout the period beginning with P becoming beneficially entitled to it and ending with the disposal, or
    - (ii) falls within subsection (8).
- (4) The disposal is to be treated as a disposal by P of the interest in the dwelling-house to which P is beneficially entitled as a result of the operation of section 49(1).
- (5) Subsection (6) applies where—
  - (a) P disposes of the interest in possession in the settled property, or P's interest in possession in the settled property comes to an end in P's lifetime,
  - (b) the interest in the dwelling-house is, or is part of, the settled property immediately before the time when that happens, and
  - (c) P's interest in possession—
    - (i) falls within subsection (7) throughout the period beginning with P becoming beneficially entitled to it and ending with the time mentioned in paragraph (b), or
    - (ii) falls within subsection (8).
- (6) The disposal, or (as the case may be) the coming to an end of P's interest in possession, is to be treated as a disposal by P of the interest in the dwelling-house to which P is beneficially entitled as a result of the operation of section 49(1).
- (7) An interest in possession falls within this subsection if—
  - (a) P became beneficially entitled to it before 22 March 2006 and section 71A does not apply to the settled property; or
  - (b) P becomes beneficially entitled to it on or after 22 March 2006 and the interest is—
    - (i) an immediate post-death interest,
    - (ii) a disabled person's interest, or



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(iii) a transitional serial interest.

(8) An interest in possession falls within this subsection if P becomes beneficially entitled to it on or after 22 March 2006 and it falls within section 5(1B).”

9 In section 8J (meaning of “inherited”), in subsection (1), for “and 8F” substitute “, 8F, 8FA, 8FB and 8M”.

10 In section 8K (meaning of “closely inherited”), in subsection (1), for “and 8F” substitute “, 8F, 8FA, 8FB and 8M”.

11 In section 8L (claims for brought-forward allowance)—

(a) in the heading, at the end insert “ and downsizing addition ”, and

(b) in subsection (1), after “(see section 8G)” insert “ or for a downsizing addition for a person (see sections 8FA to 8FD) ”.

12 (1) Section 8M (residence nil-rate amount: cases involving conditional exemption) is amended as follows.

(2) For subsections (1) and (2) substitute—

“(1) This section applies where—

(a) a person (“D”) dies on or after 6 April 2017,

(b) ignoring the application of this section, D's residence nil-rate amount is greater than nil, and

(c) some or all of the transfer of value under section 4 on D's death is a conditionally exempt transfer of property consisting of, or including, any of the following—

(i) some or all of a qualifying residential interest;

(ii) some or all of a residential property interest, at least some portion of which is closely inherited, and which is not, and is not included in, a qualifying residential interest;

(iii) one or more closely inherited assets that are not residential property interests.

(2) Subsections (2B) to (2E) apply for the purposes of sections 8E to 8FD if—

(a) ignoring the application of this section, D's residence nil-rate amount is given by section 8E, and

(b) some or all of the transfer of value under section 4 is a conditionally exempt transfer of property mentioned in subsection (1)(c)(i).

(2A) In subsections (2B) to (2E), but subject to subsection (3)(a), “the exempt percentage of the QRI” is given by—

$$\frac{X}{\text{QRI}} \times 100$$

where—

X is the attributable portion of the value transferred by the conditionally exempt transfer,

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QRI is the attributable portion of the value transferred by the transfer of value under section 4, and

“the attributable portion” means the portion (which may be the whole) attributable to the qualifying residential interest.

(2B) If—

- (a) the exempt percentage of the QRI is 100%, and
- (b) D has no entitlement to a downsizing addition,

D's residence nil-rate amount and amount available for carry-forward are given by section 8F(2) and (3) (instead of section 8E).

(2C) If—

- (a) the exempt percentage of the QRI is 100%, and
- (b) D has an entitlement to a downsizing addition,

D's residence nil-rate amount and amount available for carry-forward are given by section 8FD(3) to (6) (instead of section 8E as modified by section 8FC(2)).

See also subsection (2G).

(2D) If—

- (a) the exempt percentage of the QRI is less than 100%, and
- (b) D has no entitlement to a downsizing addition,

D's residence nil-rate amount and amount available for carry-forward are given by section 8E but as if, in subsections (2) to (5) of that section, each reference to NV/100 were a reference to NV/100 multiplied by the percentage that is the difference between 100% and the exempt percentage of the QRI.

(2E) If—

- (a) the exempt percentage of the QRI is less than 100%, and
- (b) D has an entitlement to a downsizing addition,

D's residence nil-rate amount and amount available for carry-forward are given by section 8E as modified by section 8FC(2), but as if the reference to NV/100 in section 8FC(2)(a) were a reference to NV/100 multiplied by the percentage that is the difference between 100% and the exempt percentage of the QRI.

See also subsection (2G).

(2F) Subsection (2G) applies for the purposes of sections 8FA to 8FD if—

- (a) some or all of the transfer of value under section 4 is a conditionally exempt transfer of property mentioned in subsection (1)(c)(ii) or (iii) (or both),
- (b) D has an entitlement to a downsizing addition, and
- (c) DA exceeds Y (see subsection (2H)).

(2G) Subject to subsection (3)(aa) and (ab), the amount of the downsizing addition is treated as reduced by whichever is the smaller of—

- (a) the difference between DA and Y, and
- (b) Z.

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(2H) In subsections (2F) and (2G)—

DA is the amount of the downsizing addition to which D has an entitlement (ignoring the application of subsection (2G));

Y is so much (if any) of the value transferred by the transfer of value under section 4 as—

- (a) is not transferred by a conditionally exempt transfer, and
- (b) is attributable to—
  - (i) the closely inherited portion (which may be the whole) of any residential property interests that are not, and are not included in, a qualifying residential interest, or
  - (ii) closely inherited assets that are not residential property interests;

Z is the total of—

- (a) the closely inherited conditionally exempt values of all residential property interests mentioned in subsection (1)(c)(ii), and
- (b) so much of the value transferred by the conditionally exempt transfer as is attributable to property mentioned in subsection (1)(c)(iii).

(2I) For the purposes of the definition of “Z”, “the closely inherited conditionally exempt value” of a residential property interest means—

- (a) so much of the value transferred by the conditionally exempt transfer as is attributable to the interest, multiplied by
- (b) the percentage of the interest which is closely inherited.”

(3) In subsection (3), for the words before paragraph (b) substitute—

“(3) For the purposes of calculating tax chargeable under section 32 or 32A by reference to a chargeable event related to property forming the subject-matter of the conditionally exempt transfer where D is the relevant person for the purposes of section 33—

- (a) where subsections (2B) to (2E) apply and the chargeable event relates to property mentioned in subsection (1)(c)(i), in calculating the exempt percentage of the QRI, X is calculated as if the attributable portion of the value transferred by the conditionally exempt transfer had not included the portion (which may be the whole) of the qualifying residential interest on which the tax is chargeable,
- (aa) where subsection (2G) applies and the chargeable event relates to property mentioned in subsection (1)(c)(ii), Z is calculated as if it had not included the portion (which may be the whole) of the closely inherited conditionally exempt value of the residential property interest on which the tax is chargeable,
- (ab) where subsection (2G) applies and the chargeable event relates to an asset mentioned in subsection (1)(c)(iii) (“the taxable asset”), Z is calculated as if it had not included so much of the value transferred by the conditionally exempt transfer as is attributable to the taxable asset.”.

(4) In subsection (3)—

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- (a) at the beginning of paragraph (b) insert “ in the cases mentioned in paragraphs (a), (aa) and (ab), ”,
  - (b) at the end of paragraph (b) omit “and”,
  - (c) in paragraph (c), for “less” substitute “ reduced (but not below nil) by ”, and
  - (d) after paragraph (c) insert “, and
    - (d) where the chargeable event relates to property mentioned in subsection (1)(c)(i) and subsections (2B) to (2E) do not apply, section 33 has effect as if in subsection (1)(b)(ii) after “in accordance with” there were inserted “ section 8D(2) and (3) above and ”.
- (5) In subsection (5), for “the qualifying residential interest which” substitute “ property which forms the subject-matter of the conditionally exempt transfer where the chargeable event ”.
- (6) In subsection (6), for “the qualifying residential interest which” substitute “ property which forms the subject-matter of the conditionally exempt transfer and the chargeable event ”.
- (7) In subsection (7), for “the qualifying residential interest” substitute “ property which forms the subject-matter of the conditionally exempt transfer ”.

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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):

- Sch. 19 para. 12(5)(b) inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(c\)](#)
- Sch. 19 para. 12(5)(a) word inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(b\)](#)
- Sch. 19 para. 51(8)(b) words inserted by [2017 c. 32 Sch. 14 para. 48\(2\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(a\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(b\)](#)
- Sch. 19 para. 12(5)(a) words renumbered as Sch. 19 para. 12(5)(a) by [2017 c. 32 Sch. 14 para. 49\(2\)\(a\)](#)
- Sch. 19 para. 58(1) words substituted by [2017 c. 32 Sch. 14 para. 48\(5\)](#)
- Sch. 20 para. 1(4)(e) inserted by [2021 c. 26 Sch. 27 para. 47\(2\)](#)
- Sch. 20 para. 3(3)(d) and word inserted by [2021 c. 26 Sch. 27 para. 47\(3\)\(b\)](#)
- Sch. 20 para. 5(5) inserted by [2021 c. 26 Sch. 27 para. 47\(5\)](#)
- Sch. 22 para. 2(4B) inserted by [2021 c. 26 Sch. 27 para. 48\(2\)\(c\)](#)
- Sch. 22 para. 3(4A) inserted by [2021 c. 26 Sch. 27 para. 48\(3\)](#)