

2002 No. 1733

INHERITANCE TAX

The Inheritance Tax (Delivery of Accounts) (Excepted Estates) Regulations 2002

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| <i>Made</i> - - - - - | <i>5th July 2002</i> |
| <i>Laid before the House of Commons</i> | <i>8th July 2002</i> |
| <i>Coming into force</i> - - - - - | <i>1st August 2002</i> |

The Commissioners of Inland Revenue, in exercise of the powers conferred on them by section 256(1)(a) of the Inheritance Tax Act 1984(a), hereby make the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Inheritance Tax (Delivery of Accounts) (Excepted Estates) Regulations 2002, shall come into force on 1st August 2002 and shall have effect in relation to deaths occurring on or after 6th April 2002.

Interpretation

2. In these Regulations—

“the Board” means the Commissioners of Inland Revenue;

“the 1984 Act” means the Inheritance Tax Act 1984;

“an excepted estate” has the meaning given in regulation 3;

“the prescribed period” in relation to any person is the period beginning with that person’s death and ending—

(a) in England, Wales and Northern Ireland, 35 days after the making of the first grant of representation in respect of that person (not being a grant limited in duration, in respect of property or to any special purpose); or

(b) in Scotland, 60 days after the date on which confirmation to that person’s estate was first granted;

“value” means value for the purpose of tax.

Excepted estates

3.—(1) An excepted estate means the estate of a person immediately before his death in either of the circumstances prescribed by paragraphs (2) and (3) below.

(2) The circumstances prescribed by this paragraph are that—

(a) the person died on or after 6th April 2002, domiciled in the United Kingdom;

(b) the value of that person’s estate is attributable wholly to property passing under his will or intestacy or under a nomination of an asset taking effect on death or under a

(a) 1984 c. 51. By virtue of section 100(1) and (2) of the Finance Act 1986 (c. 41), on and after 25th July 1986 the Capital Transfer Tax Act 1984 may be cited as the Inheritance Tax Act 1984, and any reference in that Act to capital transfer tax is to have effect as a reference to inheritance tax, except where the reference relates to a liability to tax arising before 25th July 1986.

single settlement in which he was entitled to an interest in possession in settled property or by survivorship in a beneficial joint tenancy or, in Scotland, by survivorship;

- (c) of that property—
 - (i) not more than £100,000 represented value attributable to property which, immediately before that person's death, was settled property; and
 - (ii) not more than £75,000 represented value attributable to property which, immediately before that person's death, was situated outside the United Kingdom;
- (d) that person died without having made any chargeable transfers during the period of seven years ending with his death other than specified transfers where the aggregate value transferred did not exceed £100,000; and
- (e) the aggregate of the gross value of that person's estate and of the value transferred by any specified transfers made by that person did not exceed £220,000.

(3) The circumstances prescribed by this paragraph are that—

- (a) the person died on or after 6th April 2002;
- (b) he was never domiciled in the United Kingdom or treated as domiciled in the United Kingdom by section 267 of the 1984 Act(a); and
- (c) the value of that person's estate situated in the United Kingdom is wholly attributable to cash or quoted shares or securities passing under his will or intestacy or by survivorship in a beneficial joint tenancy or, in Scotland, by survivorship, the gross value of which does not exceed £100,000.

(4) For the purposes of paragraph (2) "specified transfers" means chargeable transfers made during the period of seven years ending with that person's death where the value transferred is attributable to—

- (a) cash;
- (b) quoted shares or securities; or
- (c) an interest in or over land (and furnishings and chattels disposed of at the same time to the same donee and intended to be enjoyed with the land), save to the extent that—
 - (i) sections 102 and 102A(2) of the Finance Act 1986(b) apply to that transfer; or
 - (ii) the land (or furnishings or chattels) became settled property on that transfer.

Accounts

4. Notwithstanding anything in section 216 of the 1984 Act(c) no person shall be required to deliver to the Board an account of the property comprised in an excepted estate, unless the Board so require by a notice in writing issued to that person within the prescribed period.

5. If any person who has not delivered an account in reliance on regulation 4 discovers at any time that the estate is not an excepted estate, the delivery to the Board within six months of that time of an account of the property comprised in that estate shall satisfy any requirement to deliver an account imposed on that person.

Discharge of persons and property from tax

6. Subject to regulation 7 and unless within the prescribed period the Board issue a notice requiring an account of the property comprised in an excepted estate, all persons shall on the expiration of that period be discharged from any claim for tax on the value transferred by the chargeable transfer made on the deceased's death and attributable to the value of that property and any Inland Revenue charge for that tax shall then be extinguished.

(a) Section 267(4) was amended by section 208(3) and (5) of and Schedule 23 Part 5 to the Finance Act 1993 (c. 34).

(b) Section 102 was amended by section 171(5) and (6) of the Finance Act 1989 (c. 26) and Schedule 27 Part 4 to the Finance Act 1998 (c. 36). Section 102A was inserted by section 104 of the Finance Act 1999 (c. 16).

(c) Section 216 was amended by paragraph 11 of Schedule 26 to the Finance Act 1985 (c. 54), section 101(3) of and paragraph 29 of Schedule 19 to the Finance Act 1986, section 96 of and paragraph 4 of Schedule 7 to the Finance (No. 2) Act 1987 (c. 51) and section 105 of the Finance Act 1999.

7. Regulation 6 shall not discharge any person from tax in the case of fraud or failure to disclose material facts and shall not affect any tax that may be payable if further property is later shown to form part of the estate and, in consequence of that property, the estate is not an excepted estate.

Transfers reported late

8. Where no account of a person's excepted estate is required by the Board, an account of that estate shall, for the purposes of section 264(8) of the 1984 Act (delivery of account to be treated as payment where tax rate nil), be treated as having been delivered on the last day of the prescribed period in relation to that person.

Revocation

9. The Regulations listed in the Schedule are revoked in relation to deaths occurring on or after 6th April 2002.

5th July 2002

Nick Montagu
Tim Flesher
Two of the Commissioners of Inland Revenue

SCHEDULE

REVOCATIONS

| <i>(1) Regulations revoked</i> | <i>(2) References</i> |
|---|-----------------------|
| The Capital Transfer Tax (Delivery of Accounts) Regulations 1981 | S.I. 1981/880 |
| The Capital Transfer Tax (Delivery of Accounts) (Scotland) Regulations 1981 | S.I. 1981/881 |
| The Capital Transfer Tax (Delivery of Accounts) (Northern Ireland) Regulations 1981 | S.I. 1981/1441 |
| The Capital Transfer Tax (Delivery of Accounts) (No. 3) Regulations 1983 | S.I. 1983/1039 |
| The Capital Transfer Tax (Delivery of Accounts) (Scotland) (No. 2) Regulations 1983 | S.I. 1983/1040 |
| The Capital Transfer Tax (Delivery of Accounts) (Northern Ireland) (No. 2) Regulations 1983 | S.I. 1983/1911 |
| The Inheritance Tax (Delivery of Accounts) Regulations 1987 | S.I. 1987/1127 |
| The Inheritance Tax (Delivery of Accounts) (Scotland) Regulations 1987 | S.I. 1987/1128 |
| The Inheritance Tax (Delivery of Accounts) (Northern Ireland) Regulations 1987 | S.I. 1987/1129 |
| The Inheritance Tax (Delivery of Accounts) Regulations 1989 | S.I. 1989/1078 |
| The Inheritance Tax (Delivery of Accounts) (Scotland) Regulations 1989 | S.I. 1989/1079 |
| The Inheritance Tax (Delivery of Accounts) (Northern Ireland) Regulations 1989 | S.I. 1989/1080 |
| The Inheritance Tax (Delivery of Accounts) Regulations 1990 | S.I. 1990/1110 |
| The Inheritance Tax (Delivery of Accounts) (Scotland) Regulations 1990 | S.I. 1990/1111 |
| The Inheritance Tax (Delivery of Accounts) (Northern Ireland) Regulations 1990 | S.I. 1990/1112 |
| The Inheritance Tax (Delivery of Accounts) Regulations 1991 | S.I. 1991/1248 |
| The Inheritance Tax (Delivery of Accounts) (Scotland) Regulations 1991 | S.I. 1991/1249 |
| The Inheritance Tax (Delivery of Accounts) (Northern Ireland) Regulations 1991 | S.I. 1991/1250 |
| The Inheritance Tax (Delivery of Accounts) Regulations 1995 | S.I. 1995/1461 |
| The Inheritance Tax (Delivery of Accounts) (Scotland) Regulations 1995 | S.I. 1995/1459 |
| The Inheritance Tax (Delivery of Accounts) (Northern Ireland) Regulations 1995 | S.I. 1995/1460 |
| The Inheritance Tax (Delivery of Accounts) Regulations 1996 | S.I. 1996/1470 |
| The Inheritance Tax (Delivery of Accounts) (Scotland) Regulations 1996 | S.I. 1996/1472 |
| The Inheritance Tax (Delivery of Accounts) (Northern Ireland) Regulations 1996 | S.I. 1996/1473 |
| The Inheritance Tax (Delivery of Accounts) Regulations 1998 | S.I. 1998/1431 |
| The Inheritance Tax (Delivery of Accounts) (Scotland) Regulations 1998 | S.I. 1998/1430 |
| The Inheritance Tax (Delivery of Accounts) (Northern Ireland) Regulations 1998 | S.I. 1998/1429 |
| The Inheritance Tax (Delivery of Accounts) Regulations 2000 | S.I. 2000/967 |
| The Inheritance Tax (Delivery of Accounts) (Scotland) Regulations 2000 | S.I. 2000/966 |
| The Inheritance Tax (Delivery of Accounts) (Northern Ireland) Regulations 2000 | S.I. 2000/965 |

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations replace the Capital Transfer Tax (Delivery of Accounts) Regulations 1981 (S.I. 1981/880), the Capital Transfer Tax (Delivery of Accounts) (Scotland) Regulations 1981 (S.I. 1981/881) and the Capital Transfer Tax (Delivery of Accounts) (Northern Ireland) Regulations 1981 (S.I. 1981/1441) (“the 1981 Regulations”) in relation to the estates of persons who died on or after 6th April 2002. The 1981 Regulations and these Regulations provide that a person is not required to deliver an account of the property comprised in an excepted estate for inheritance tax purposes. An excepted estate is defined in regulation 3 of these Regulations.

The definition of excepted estates differs from the definition in the 1981 Regulations in six respects.

Firstly, the limit on the aggregate of the gross value of the deceased’s estate and of the value transferred by any “specified transfers” (as defined) made by the deceased is raised from £210,000 to £220,000.

Secondly, up to £100,000 of this value may be attributable to settled property in which the deceased was entitled to an interest in possession.

Thirdly, the limit on the value of property situated outside the United Kingdom which may form part of the deceased’s estate is raised from £50,000 to £75,000.

Fourthly, the limit on the aggregate value of chargeable transfers that are specified transfers made during the period of seven years ending with the deceased’s death is raised from £75,000 to £100,000.

Fifthly, the definition of “specified transfers” is extended to include a transfer of an interest in land and furnishings and chattels disposed of at the same time to the same person which is intended to be enjoyed with the land save to the extent that the property transferred is property subject to a reservation to which section 102 of the Finance Act 1986 applies or becomes settled property.

Sixthly, a new category of excepted estates is introduced for persons who have never been domiciled or treated as domiciled in the United Kingdom. The value of such a person’s estate situated in the United Kingdom must be attributable to cash or quoted shares or securities which do not exceed a gross value of £100,000.

Regulation 4 (Accounts) and regulation 6 (Discharge of persons and property from tax) differ from the equivalent regulations in the Capital Transfer Tax (Delivery of Accounts) (Scotland) Regulations 1981 (regulations 4 and 6 respectively) to reflect the fact that in Scotland the Inland Revenue Account and the inventory are now separate documents.

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