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(Brent South - Lab)

Amendment 137

Schedule 15, page 345, line 18, at end insert-

‘(1A) For the purposes of paragraphs 3(3) and 6(3) (the contribution condition) the provision by a person (“the chargeable person”) of consideration for another’s acquisition of any property is an “excluded transaction” in relation to the chargeable person if –

- (a) the other person was his spouse (or where the transfer has been ordered by the court, his former spouse),
- (b) on its acquisition the property became settled property in which his spouse or former spouse is beneficially entitled to an interest in possession,
- (c) the provision of the consideration constituted an outright gift of money (in sterling or any other currency) by the chargeable person to the other person and was made at least seven years before the earliest date on which the chargeable person met the condition in paragraph 3(1)(a) or, as the case may be, 6(1)(a),
- (d) the provision of the consideration is a disposition falling within section 11 of IHTA 1984 (dispositions for maintenance of family), or
- (e) the provision of the consideration is an outright gift to an individual and is for the purposes of IHTA 1984 a transfer of value that is wholly exempt by virtue of section 19 (annual exemption) or section 20 (small gifts).’

EXPLANATORY NOTE

SUMMARY

1. This amendment clarifies how the reliefs for “excluded transactions” apply to cases subject to the “contribution condition” (i.e. where the taxpayer’s initial disposal goes to fund the acquisition of property by another person). It also extends the relief for these cases to gifts of money if they have not given rise to a chargeable benefit within seven years of the gift; to expenditure for the maintenance of the taxpayer’s family; and to gifts covered by the inheritance tax annual exemption or the exemption for small gifts.

DETAILS

2. New subparagraph (1A) spells out how the reliefs in paragraph 10 apply to cases governed by the “contribution condition”. Subparagraph (a) and (b) restate the reliefs at subparagraphs 10(1)(a) and (c), which continue to apply to cases governed by the “disposal condition” (the relief in 10(1)(b) is subsumed in the wider relief proposed by Government amendment 140).
3. Subparagraphs (c), (d) and (e) provide new reliefs for, respectively, gifts of money which do not give rise to a benefit within 7 years; expenditure covered by the inheritance tax relief for maintenance of the family; and gifts covered by the inheritance tax annual exemption or small gift relief.

BACKGROUND NOTE

4. In the schedule as drafted, subparagraph 10(1) implemented the reliefs for “excluded transactions” for cases governed by either the “disposal condition” or the “contribution condition”. This amendment introduces separate, and more explicit, provision for “contribution” cases.