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(Brent South - Lab)

Amendment 142

Schedule 15, page 345, line 42 at end insert –

'(1A) Where at any time the value of a person's estate for the purposes of IHTA 1984 is reduced by an excluded liability affecting any property, that property is not to be treated for the purposes of sub-paragraph (A1) or (A2) as comprised in his estate except to the extent that the value of the property exceeds the amount of the excluded liability.

(1B) For the purposes of sub-paragraph (1A) a liability is an excluded liability if—

- (a) the creation of the liability, and
- (b) any transaction by virtue of which the person's estate came to include the relevant property or property which derives its value from the relevant property or by virtue of which the value of property in his estate came to be derived from the relevant property,

were associated operations, as defined by section 268 of IHTA 1984.

(1C) In determining whether the relevant property falls within sub-paragraph (1)(b), (c) or (d) in a case where the contribution condition in paragraph 3(3) or 6(3) is met, paragraph 2(2)(b) of Schedule 20 (exclusion of gifts of money) is to be disregarded.

(1D) In sub-paragraphs (A1) to (1C) "the relevant property" means—

- (a) in relation to paragraphs 3 and 6—
 - (i) where the disposal condition in paragraph 3(2) or 6(2) is met, the property disposed of,
 - (ii) where the contribution condition in paragraph 3(3) or 6(3) is met, the property representing the consideration directly or indirectly provided,
- (b) in relation to paragraph 8, the relevant property within the meaning of that paragraph.'

EXPLANATORY NOTE**SUMMARY**

1. This amendment provides anti-avoidance protection for the extended relief allowed by amendment 140.

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DETAILS

2. New subparagraphs (1A) and (1B) provide for the value of property otherwise eligible for relief to be reduced by the amount of “excluded liabilities”, i.e. liabilities which are associated with the transactions by which the property comes to be reflected in the former owner’s estate.
3. New paragraph (1C) provides for the reliefs in paragraph 11 which are derived from the inheritance tax “gift with reservation” rules, in Finance Act 1986 to be available notwithstanding that those rules do not apply for inheritance tax purposes when the initial gift is one of money.
4. New paragraph (1D) clarifies what property the reliefs in paragraph 11 apply to.