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(Bristol South - Lab)

Amendment 381

Schedule 22, page 176, line 40 [Vol II], at end insert—

‘Interest

8A In section 233(1)(c) (interest on unpaid tax), for “or 126” substitute “, 126 or 151B”.’

SUMMARY

1. This amendment corrects an omission from Schedule 22. It applies to an Inheritance tax (IHT) charge arising on left-over funds in an Alternatively Secured Pension (ASP) where a relevant dependant’s pension benefits have ceased. This charge is now brought within the normal IHT collection provisions so that interest is chargeable where the tax is paid later than the due date.

DETAILS

2. This amendment inserts a cross-reference to Section 151B (introduced by Schedule 22) into Section 233(1)(c) of the Inheritance Act 1988 (IHTA) (interest on unpaid tax).

BACKGROUND NOTE

3. Alternatively secured pensions (ASP) are available to members of registered pension schemes from 6 April 2006. They were specifically designed as an alternative to taking a pension or annuity at age 75 for those with principled religious objections to the pooling of mortality risk.
4. Clause 161 & Schedule 22 bring the left-over funds in an ASP within the IHT framework in IHTA with effect from 6 April 2006. IHT is chargeable on these left-over funds on death of a scheme

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member unless (within the specified time) they are expended on pension benefits for a spouse, civil partner or person who was a financial dependant of the scheme member at the date of death or paid to charity.

5. Where the IHT charge is due on the death of the scheme member, for example, where the funds are paid for the benefit of other scheme members the IHT charge is calculated as a proportion of the chargeable estate of the scheme member at death. Where, however, the IHT charge comes in later, for example, when a financial dependant's pension benefits cease, the tax charge is calculated by reference to the top-slice of the late member's estate but by reference to the tax rates applying when the pension benefits ceased, assuming these are lower than those applicable at the death of the scheme member. Adopting this method means that the rest of the estate of the late scheme member can be settled without regard to the IHT charge on ASP funds. The responsibility of accounting for and paying any tax due on the left-over ASP funds falls on the scheme administrator.