
S T A T U T O R Y I N S T R U M E N T S

2000 No. 174

INHERITANCE TAX

**The Inheritance Tax (Settled Property Income Yield)
Order 2000**

<i>Made</i>	-	-	-	-	<i>27th January 2000</i>
<i>Laid before the House of Commons</i>					<i>28th January 2000</i>
<i>Coming into force</i>					<i>18th February 2000</i>

The Treasury in exercise of the powers conferred on them by section 50(3) of the Inheritance Tax Act 1984(a) hereby make the following Order:

1.—(1) This Order may be cited as the Inheritance Tax (Settled Property Income Yield) Order 2000 and shall come into force on 18th February 2000.

(2) This Order shall have effect in relation to transfers of value made on or after 18th February 2000.

2. In this Order references to “indices” are to the indices which are published in the Financial Times and produced in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

3. The rate prescribed as the higher rate for the purposes of section 50 of the Inheritance Tax Act 1984 is the rate that is equal to the rate of the Irredeemables’ yield shown in the indices which are known as the “FTSE Actuaries Government Securities UK Indices” and which are produced either—

- (a) for the date on which the value in question is to be determined, or, if those indices are not produced for that date,
- (b) for the latest date preceding that date for which those indices are produced.

4. The rate prescribed as the lower rate for the purposes of section 50 of the Inheritance Tax Act 1984 is the rate that is equal to the rate of the All-Share actual dividend yield shown in the indices which are known as the “FTSE Actuaries Share Indices” and which are produced either—

- (a) for the date on which the value in question is to be determined, or, if those indices are not produced for that date,
- (b) for the latest date preceding that date for which those indices are produced.

Greg Pope
Jim Dowd

27th January 2000

Two of the Lords Commissioners of Her Majesty’s Treasury

(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 arising before 25th July 1986.

EXPLANATORY NOTE

(This note is not part of the Order)

This Order has effect in relation to certain transfers of value taking effect on or after 18th February 2000.

Under section 49(1) of the Inheritance Tax Act 1984 (“the Act”) a person who is beneficially entitled to the income of settled property is treated for inheritance tax purposes as beneficially entitled to the property itself. Under section 50(2) of the Act where a person is entitled to part only of the income of settled property, being a specified amount (e.g. an annuity) or the whole less a specified amount (e.g. an interest in possession subject to an annuity), the part of the settled property to be attributed to his interest is calculated by reference to the income yield of the property.

Under section 50(3) of the Act, the Treasury have power to prescribe higher and lower rates which operate as limits beyond which variations in the actual income yields are disregarded in the circumstances described in section 50(3)(a) and (b). The previous Order (S.I. 1980/1000) prescribed, for the higher rate calculation, the yield for the irredeemable British Government Stocks in the Financial Times (“FT”) Actuaries Index and, for the lower rate calculation, the gross dividend yield of the FT All-Share Index.

The FT All-Share gross dividend yield ceased to be produced from 6th April 1999. Accordingly, this Order, while continuing the use of the yield for the irredeemable British Government Stocks for the higher rate calculation, prescribes the actual dividend yield of the Financial Times Stock Exchange (“FTSE”) All-Share Index for the lower rate calculation.

Under the Order, the rates will continue to be determined by the indices for the date on which the property has to be valued for the purposes of section 49 and 50 (or, if there are no indices for that date, those for the latest date preceding that date). Details of the rates applicable are obtainable from the Capital Taxes Office of the Inland Revenue, Ferrers House, PO Box 38, Castle Meadow Road, Nottingham NG2 1BB, on working days between 9 a.m. and 5 p.m.

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