

2002 No. 1732

INHERITANCE TAX

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

<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 Settlements) Regulations 2002, shall come into force on 1st August 2002 and shall have effect in relation to chargeable events occurring on or after 6th April 2002.

Interpretation

2. In these Regulations—
- “the 1984 Act” means the Inheritance Tax Act 1984;
 - “the Board” means the Commissioners of Inland Revenue;
 - “a chargeable event” means an occasion on which tax is chargeable under section 64 (charge at ten-year anniversary) or section 65 (charge at other times) of the 1984 Act;
 - “an excepted settlement” has the meaning given in regulation 3;
 - “qualifying interest in possession” has the meaning given in section 59 of the 1984 Act(b);
 - “related settlement” has the meaning given in section 62 of the 1984 Act;
 - “settlement” has the meaning given in section 43 of the 1984 Act;
 - “settlor” has the meaning given in section 44 of the 1984 Act;
 - “trustee” has the meaning given in section 45 of the 1984 Act;
 - “value” means value for the purposes of tax.

Excepted settlement

3.—(1) An excepted settlement means a settlement in which no qualifying interest in possession subsists on an occasion of a chargeable event on or after 6th April 2002 in a case where—

- (a) cash is the only property comprised in the settlement;
- (b) after making the settlement, the settlor provided no further property which became comprised in the settlement;

(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.

(b) Section 59 was amended by section 52(4) and (5) of the Finance Act 1995 (c. 4).

- (c) the trustees of the settlement are resident in the United Kingdom throughout the existence of the settlement;
- (d) the gross value of the settled property at the time of the chargeable event does not exceed £1,000; and
- (e) there are no related settlements.

(2) For the purposes of paragraph (1) trustees of a settlement shall be regarded as resident in the United Kingdom if the general administration of the settlement is ordinarily carried on in the United Kingdom and the trustees or a majority of them (and, where there is more than one class of trustees, a majority of each class) are for the time being resident in the United Kingdom.

Accounts

4. Notwithstanding anything in section 216 of the 1984 Act^(a), no person shall be required to deliver to the Board an account of the property comprised in an excepted settlement unless the Board so require by notice in writing addressed to that person.

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

Discharge of trustees and property from tax

6. Subject to regulation 7, and unless within the period of six months beginning with the date of the chargeable event the Board issue a notice requiring an account of the property comprised in the excepted settlement, the trustees of the settlement shall at the expiration of that period be discharged from any claim for tax on the occasion of the chargeable event and attributable to the value of that property and any Inland Revenue charge for that tax shall then be extinguished.

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 the liability to tax of any persons other than the trustees of the settlement, or any tax that may be payable if the settlement is not an excepted settlement.

Transfers reported late

8. Where no account of an excepted settlement is required by the Board, an account of that settlement 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 twelve months after the end of the month in which the chargeable event occurred.

*Nick Montagu
Tim Flesher*

5th July 2002

Two of the Commissioners of Inland Revenue

(a) 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 (c. 16).

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations dispense with the need to deliver an account of the property comprised in a limited class of small discretionary trusts where a chargeable event occurs on or after 6th April 2002. These trusts are defined as “excepted settlements”.

In order to fall within this definition no interest in possession must subsist in the settled property which can only comprise cash, the trustees must be resident in the United Kingdom, the settlor must not have provided any additions to the settled property following commencement of the settlement or have created any other settlements on the same day and the value of the settled property at the time of the chargeable event must not exceed £1,000.

2002 No. 1732

INHERITANCE TAX

**The Inheritance Tax (Delivery of Accounts) (Excepted
Settlements) Regulations 2002**

£1.75

© Crown copyright 2002

Printed and published in the UK by The Stationery Office Limited
under the authority and superintendence of Carol Tullo, Controller of
Her Majesty's Stationery Office and Queen's Printer of Acts of Parliament.
E1123 7/2002 121123 19585

ISBN 0-11-042528-6



9 780110 425283