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SCHEDULES

SCHEDULE 15

INHERITANCE TAX: INCREASED NIL-RATE BAND

12 (1) Section 8M (residence nil-rate amount: cases involving conditional exemption) is amended as follows.

(2) For subsections (1) and (2) substitute—

“(1) This section applies where—

- (a) a person (“D”) dies on or after 6 April 2017,
- (b) ignoring the application of this section, D's residence nil-rate amount is greater than nil, and
- (c) some or all of the transfer of value under section 4 on D's death is a conditionally exempt transfer of property consisting of, or including, any of the following—
 - (i) some or all of a qualifying residential interest;
 - (ii) some or all of a residential property interest, at least some portion of which is closely inherited, and which is not, and is not included in, a qualifying residential interest;
 - (iii) one or more closely inherited assets that are not residential property interests.

(2) Subsections (2B) to (2E) apply for the purposes of sections 8E to 8FD if—

- (a) ignoring the application of this section, D's residence nil-rate amount is given by section 8E, and
- (b) some or all of the transfer of value under section 4 is a conditionally exempt transfer of property mentioned in subsection (1)(c)(i).

(2A) In subsections (2B) to (2E), but subject to subsection (3)(a), “the exempt percentage of the QRI” is given by—

$$\frac{X}{\text{QRI}} \times 100$$

where—

X is the attributable portion of the value transferred by the conditionally exempt transfer,

QRI is the attributable portion of the value transferred by the transfer of value under section 4, and

“the attributable portion” means the portion (which may be the whole) attributable to the qualifying residential interest.

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(2B) If—

- (a) the exempt percentage of the QRI is 100%, and
- (b) D has no entitlement to a downsizing addition,

D's residence nil-rate amount and amount available for carry-forward are given by section 8F(2) and (3) (instead of section 8E).

(2C) If—

- (a) the exempt percentage of the QRI is 100%, and
- (b) D has an entitlement to a downsizing addition,

D's residence nil-rate amount and amount available for carry-forward are given by section 8FD(3) to (6) (instead of section 8E as modified by section 8FC(2)).

See also subsection (2G).

(2D) If—

- (a) the exempt percentage of the QRI is less than 100%, and
- (b) D has no entitlement to a downsizing addition,

D's residence nil-rate amount and amount available for carry-forward are given by section 8E but as if, in subsections (2) to (5) of that section, each reference to NV/100 were a reference to NV/100 multiplied by the percentage that is the difference between 100% and the exempt percentage of the QRI.

(2E) If—

- (a) the exempt percentage of the QRI is less than 100%, and
- (b) D has an entitlement to a downsizing addition,

D's residence nil-rate amount and amount available for carry-forward are given by section 8E as modified by section 8FC(2), but as if the reference to NV/100 in section 8FC(2)(a) were a reference to NV/100 multiplied by the percentage that is the difference between 100% and the exempt percentage of the QRI.

See also subsection (2G).

(2F) Subsection (2G) applies for the purposes of sections 8FA to 8FD if—

- (a) some or all of the transfer of value under section 4 is a conditionally exempt transfer of property mentioned in subsection (1)(c)(ii) or (iii) (or both),
- (b) D has an entitlement to a downsizing addition, and
- (c) DA exceeds Y (see subsection (2H)).

(2G) Subject to subsection (3)(aa) and (ab), the amount of the downsizing addition is treated as reduced by whichever is the smaller of—

- (a) the difference between DA and Y, and
- (b) Z.

(2H) In subsections (2F) and (2G)—

DA is the amount of the downsizing addition to which D has an entitlement (ignoring the application of subsection (2G));

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Y is so much (if any) of the value transferred by the transfer of value under section 4 as—

- (a) is not transferred by a conditionally exempt transfer, and
- (b) is attributable to—
 - (i) the closely inherited portion (which may be the whole) of any residential property interests that are not, and are not included in, a qualifying residential interest, or
 - (ii) closely inherited assets that are not residential property interests;

Z is the total of—

- (a) the closely inherited conditionally exempt values of all residential property interests mentioned in subsection (1)(c)(ii), and
- (b) so much of the value transferred by the conditionally exempt transfer as is attributable to property mentioned in subsection (1)(c)(iii).

(2I) For the purposes of the definition of “Z”, “the closely inherited conditionally exempt value” of a residential property interest means—

- (a) so much of the value transferred by the conditionally exempt transfer as is attributable to the interest, multiplied by
- (b) the percentage of the interest which is closely inherited.”

(3) In subsection (3), for the words before paragraph (b) substitute—

“(3) For the purposes of calculating tax chargeable under section 32 or 32A by reference to a chargeable event related to property forming the subject-matter of the conditionally exempt transfer where D is the relevant person for the purposes of section 33—

- (a) where subsections (2B) to (2E) apply and the chargeable event relates to property mentioned in subsection (1)(c)(i), in calculating the exempt percentage of the QRI, X is calculated as if the attributable portion of the value transferred by the conditionally exempt transfer had not included the portion (which may be the whole) of the qualifying residential interest on which the tax is chargeable,
- (aa) where subsection (2G) applies and the chargeable event relates to property mentioned in subsection (1)(c)(ii), Z is calculated as if it had not included the portion (which may be the whole) of the closely inherited conditionally exempt value of the residential property interest on which the tax is chargeable,
- (ab) where subsection (2G) applies and the chargeable event relates to an asset mentioned in subsection (1)(c)(iii) (“the taxable asset”), Z is calculated as if it had not included so much of the value transferred by the conditionally exempt transfer as is attributable to the taxable asset.”.

(4) In subsection (3)—

- (a) at the beginning of paragraph (b) insert “ in the cases mentioned in paragraphs (a), (aa) and (ab), ”,
- (b) at the end of paragraph (b) omit “and”,

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- (c) in paragraph (c), for “less” substitute “ reduced (but not below nil) by ”, and
 - (d) after paragraph (c) insert “, and
 - (d) where the chargeable event relates to property mentioned in subsection (1)(c)(i) and subsections (2B) to (2E) do not apply, section 33 has effect as if in subsection (1)(b)(ii) after “in accordance with” there were inserted “ section 8D(2) and (3) above and ”.”
- (5) In subsection (5), for “the qualifying residential interest which” substitute “ property which forms the subject-matter of the conditionally exempt transfer where the chargeable event ”.
- (6) In subsection (6), for “the qualifying residential interest which” substitute “ property which forms the subject-matter of the conditionally exempt transfer and the chargeable event ”.
- (7) In subsection (7), for “the qualifying residential interest” substitute “ property which forms the subject-matter of the conditionally exempt transfer ”.

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- Sch. 19 para. 12(5)(b) inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(c\)](#)
- Sch. 19 para. 12(5)(a) word inserted by [2017 c. 32 Sch. 14 para. 49\(2\)\(b\)](#)
- Sch. 19 para. 51(8)(b) words inserted by [2017 c. 32 Sch. 14 para. 48\(2\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(a\)](#)
- Sch. 19 para. 53(1) words inserted by [2017 c. 32 Sch. 14 para. 48\(4\)\(b\)](#)
- Sch. 19 para. 12(5)(a) words renumbered as Sch. 19 para. 12(5)(a) by [2017 c. 32 Sch. 14 para. 49\(2\)\(a\)](#)
- Sch. 19 para. 58(1) words substituted by [2017 c. 32 Sch. 14 para. 48\(5\)](#)
- Sch. 20 para. 1(4)(e) inserted by [2021 c. 26 Sch. 27 para. 47\(2\)](#)
- Sch. 20 para. 3(3)(d) and word inserted by [2021 c. 26 Sch. 27 para. 47\(3\)\(b\)](#)
- Sch. 20 para. 5(5) inserted by [2021 c. 26 Sch. 27 para. 47\(5\)](#)
- Sch. 22 para. 2(4B) inserted by [2021 c. 26 Sch. 27 para. 48\(2\)\(c\)](#)
- Sch. 22 para. 3(4A) inserted by [2021 c. 26 Sch. 27 para. 48\(3\)](#)