

## WRITTEN MINISTERIAL STATEMENT

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### **Pre-Owned Asset Regulations – Relief from Double Charges**

**The Paymaster General (Dawn Primarolo):** This is to announce regulations under section 104 Finance Act 1986 to provide relief from double inheritance tax charges in situations caught by the pre-owned assets provisions at Schedule 15 Finance Act 2004.

Double inheritance tax (IHT) charges can arise in certain circumstances when taxpayers who have used IHT avoidance schemes re-arrange their affairs in response to the income tax charge on “pre-owned assets” introduced by Schedule 15, Finance Act 2004.

My statement of 8 March 2005 announced regulations to provide relief from double charges where taxpayers have made an election to disapply the pre-owned asset income tax charge under paragraph 21, Schedule 15.

Comparable double charges can arise where taxpayers do not make this election, but instead dismantle their previous arrangements so that the pre-owned asset income tax charge is no longer due. In particular, many taxpayers have used a “double trust” scheme; this involves selling a valuable asset to one trust in which the vendor retains an interest, in exchange for an IOU, and then giving the IOU to a second trust. The gift is a potentially exempt transfer for IHT purposes, and the value of the IOU will be chargeable if the scheme user dies within seven years of implementing the scheme. If in the meantime the scheme has been reversed, so that the full value of the asset originally sold is back in the scheme user’s ownership at the time of their death, that value will also be subject to IHT.

I am satisfied that scheme users can have legitimate non-avoidance reasons for arranging their affairs in this way, and the regulations already made will therefore be extended to provide relief from double charges which arise from their doing so. They will cover cases where:

- a deceased person has made a gift of a debt owed to them;
- the gift was chargeable to IHT or becomes so chargeable (by virtue of the donor's death);
- the donor dies within seven years of the gift and on or after 6 April 2005;
- the debt was entered into as consideration for the purchase of an asset owned by the donor, or to provide funds for such a purchase;
- the full value of that asset, or of property derived from it, is also chargeable to IHT as part of the donor's estate at death.

In those circumstances, relief will be given so that tax will be due only on the more valuable of the two chargeable assets mentioned.

The regulations will be made as soon as practicable and made available in HM Revenue and Customs' website ([www.hmrc.gov.uk](http://www.hmrc.gov.uk)).

*HM Treasury*

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