

Enlargement of interests. CATA 1976 s26 35.—(1) Where a person, having a limited interest in possession in property (in this section referred to as the first-mentioned interest), takes a further interest (in this section referred to as the second-mentioned interest) in the same property, as a taxable gift or a taxable inheritance, in consequence of which that person becomes the absolute owner of the property, the taxable value of the taxable gift or taxable inheritance of the second-mentioned interest at the valuation date is reduced by the value at that date of the first-mentioned interest, taking such value to be the value, ascertained in accordance with the Rules contained in Schedule 1, of a limited interest which—

- (a) is a limited interest in a capital sum equal to the value of the property,
- (b) commences on that date, and
- (c) is to continue for the unexpired balance of the term of the first-mentioned interest.

(2) For the purposes of subsection (1)(a), “value” means such amount as would be the incumbrance-free value, within the meaning of section 28 (1), if the limited interest were taken, at the date referred to in subsection (1), as a taxable gift or taxable inheritance.

(3) This section shall not apply where the second-mentioned interest is taken under the disposition under which the first-mentioned interest was created.