

Relief in respect of certain policies of insurance. FA 1985 s60(1), (1A) and (2); FA 1990 s130; FA 1991 s118; FA 1996 s124 72.—(1) In this section—

“insured” means an individual or, in relation to a qualifying insurance policy where—

(a) the insured is an individual and the spouse of that individual at the date the policy is effected,

(b) annual premiums are paid by either or both of them during their joint lives, and by the survivor of them during the life of such survivor, and

(c) the proceeds of the policy are payable on the death of such survivor, or on the simultaneous deaths of both such spouses,

means—

(i) where the proceeds of the policy are so payable on the death of such survivor, that survivor, and the proceeds of the policy is deemed to have been provided by such survivor, as disponer, or

(ii) where the proceeds of the policy are so payable on the simultaneous deaths of both such spouses, each of the spouses, and each such spouse is deemed to have provided the proceeds of the policy—

(I) to the extent that such proceeds are applied in paying the relevant tax of the insured who is that spouse, and

(II) where the proceeds of the policy are not applied in paying relevant tax, to the extent that the proceeds not so applied are comprised in an inheritance taken under a disposition made by that spouse;

“qualifying insurance policy” means a policy of insurance—

(a) which is in a form approved by the Commissioners for the purposes of this section,

(b) in respect of which annual premiums are paid by the insured during the insured's life, and

(c) which is expressly effected under this section for the purpose of paying relevant tax;

“relevant tax” means inheritance tax payable in respect of an inheritance (excluding, in the computation of such tax, an interest in a qualifying insurance policy) taken—

(a) on the death of the insured,

(b) under a disposition made by the insured, where the inheritance is taken on or after the date of death of the insured and not later than one year after that death, and

(c) under a disposition made by the spouse of the insured where the inheritance is taken only in the event of the insured not surviving the spouse by a period of up to 31 days,

and the relevant qualifying insurance policy is—

(i) a policy of insurance within the meaning of paragraphs (a), (b) and (c) of the definition of “insured” in this subsection, or

(ii) a policy of insurance where the insured is an individual and the proceeds of the policy are payable only on the contingency of the insured surviving that spouse.

(2) (a) An interest in a qualifying insurance policy which is comprised in an inheritance taken under a disposition made by the insured is, to the extent that the proceeds of the policy are applied in paying relevant tax, exempt from tax in relation to that inheritance and is not taken into account in computing tax.

(b) An interest in a qualifying insurance policy which is comprised in an inheritance taken under a disposition made by the insured is, to the extent that the proceeds of the policy are not applied in paying relevant tax, and notwithstanding the provisions of this Act, deemed to be taken on a day immediately after—

(i) the date of the death of the insured, or

(ii) the latest date (if any) on which an inheritance is taken in respect of which that relevant tax is payable,

whichever is the later.