

*Provision relating to new regime in FA 2025***1 Relevant property: disapplication of exemptions from exit charges**

- (1) In IHTA 1984, in section 65 (relevant property: exit charges), after subsection (8A) insert—
- “(8B) None of subsections (7), (7A) and (8) applies in relation to property comprised in a settlement if—
- (a) a long-term residence change took place at a time—
 - (i) before the event in question, and
 - (ii) if there have been one or more ten-year anniversaries before the event in question, after the most recent of them,
 - (b) the long-term residence change did not result in tax being charged under this section by reference to the property, and
 - (c) the long-term residence change would have resulted in tax being charged under this section by reference to the property if the property had been property situated outside the United Kingdom when the long-term residence change took place.
- (8C) In subsection (8B) “long-term residence change” means—
- (a) the settlor not being a long-term UK resident at the start of the tax year 2025-26, or
 - (b) the settlor ceasing to be a long-term UK resident at the start of any later tax year.”
- (2) The amendment made by subsection (1) is treated as having come into force on 26 November 2025.

2 Relevant property: cap on charges for pre-30 October 2024 excluded property

- (1) In IHTA 1984, after section 75A insert—
- “75B Cap on charges for pre-30 October 2024 excluded property**
- (1) This section applies if (ignoring this section) tax is charged under section 64 (ten-year anniversary charge) or 65 (exit charge) by reference to the value of property—
- (a) that became comprised in the settlement in question before 30 October 2024,
 - (b) that immediately before 30 October 2024 was excluded property by virtue of section 48(3) or (3A) (as it had effect at that time), and
 - (c) that immediately before the occasion of the charge—
 - (i) is situated outside the United Kingdom and is not property to which paragraph 2 or 3 of Schedule A1 applies, or
 - (ii) is a holding in an authorised unit trust or a share in an open-ended investment company.

- (2) The amount of tax charged by reference to the value of the property is, if it would otherwise be greater, to be reduced (but not below zero) to the difference between—
 - (a) the applicable cap in relation to the relevant period in which the occasion of the charge falls, and
 - (b) any amount of tax already charged under section 65 in relation to the settlement, earlier in that relevant period, by reference to the value of property meeting the conditions in subsection (1).
- (3) In this section—
 - “the applicable cap” means—
 - (a) in relation to the first relevant period, £125,000 multiplied by the number of whole successive quarters in the period;
 - (b) in relation to a subsequent relevant period, £5 million;
 - “relevant period” means—
 - (a) the period beginning with 6 April 2025 and ending with the first ten-year anniversary falling after that date, and
 - (b) each subsequent period of ten years.”
- (2) The amendment made by subsection (1) is treated as having come into force on 6 April 2025.

3 Foreign diplomats etc: periods of UK residence to be disregarded

- (1) In IHTA 1984, after section 155 insert—

“Foreign diplomats etc

155ZA Foreign diplomats etc

- (1) In determining whether a person is a long-term UK resident for the purposes of this Act, the person is treated (so far as would not otherwise be the case) as not having been resident in the United Kingdom for any tax year in which they were subject at any time to a relevant international exemption.
- (2) For that purpose a person is “subject to a relevant international exemption” at a given time if, were the person to die at that time, an exemption in respect of inheritance tax would apply in relation to any of the person’s property by virtue of any of the following—
 - the Diplomatic Privileges Act 1964
 - the Consular Relations Act 1968
 - the International Organisations Act 1968
 - the European Communities Act 1972
 - the International Criminal Court Act 2001.”

- (2) The amendment made by subsection (1) is treated as having come into force on 6 April 2025 (and has effect in relation to tax years ending before that date as it has effect in relation to later tax years).

4 Minor corrections

- (1) IHTA 1984 is amended in accordance with subsections (2) and (3).
- (2) In section 267ZD (further provision about elections under section 267ZC), in subsection (8), for “a lifetime election” substitute “an election under section 267ZC”.
- (3) In section 157 (non-residents’ bank accounts), in subsection (3), in each of paragraphs (c) and (d), omit “not”.
- (4) The amendment made by subsection (2) is treated as having come into force on 6 April 2025.
- (5) The amendment made by subsection (3) is treated as having come into force on 26 November 2025.
- (6) Section 157(3) of IHTA 1984 is treated as having had effect for the period beginning with 6 April 2025 and ending with 26 November 2025 with the omission of its paragraphs (c) and (d) (and the insertion of “or” after paragraph (a)).