



Neutral Citation: [2025] UKFTT 1019 (TC)

Case Number: TC09618

**FIRST-TIER TRIBUNAL
TAX CHAMBER**

By remote video hearing

Appeal reference: TC/2021/02728

INHERITANCE TAX – Meaning of life – s 201(1)(d) IHTA – does section apply to a corporate settlor? - yes – was transfer made ‘during the life of the settlor’? - yes – appeal dismissed

Heard on: 8 May 2025

Judgment date: 21 August 2025

Before

TRIBUNAL JUDGE MALCOLM FROST

Between

LEXGREEN SERVICES LIMITED

Appellant

and

THE COMMISSIONERS FOR HIS MAJESTY’S REVENUE AND CUSTOMS

Respondents

Representation:

For the Appellant: Mr Michael Firth KC, instructed by Morr & Co LLP

For the Respondents: Mx Cleo Lunt, litigator of HM Revenue and Customs’ Solicitor’s Office

DECISION

INTRODUCTION

1. This is a case about the meaning of life.
2. Specifically, it is a case about the meaning of the word ‘life’ for the purposes of s 201(1)(d) Inheritance Tax Act 1984 (“IHTA”).
3. That section provides that the settlor of settled property is liable for the tax on a chargeable transfer, where the transfer is made during the ‘life’ of the settlor.
4. The settlor in this instance is a corporate entity. Does that entity have a ‘life’?
5. The Appellant argues that a corporate entity does not have a ‘life’, and therefore that the tax cannot be collected from a corporate settlor.
6. HMRC say that the section does apply to companies, and that the Appellant is liable for the tax.
7. For the reasons set out below I agree with HMRC and dismiss the appeal.

BACKGROUND

8. There is no real factual dispute between the parties, I have summarised the salient points below.
9. The Appellant was incorporated on 20 May 1996.
10. On 28 September 2005 the Appellant signed a trust deed, drafted by Baxendale Walker Solicitors, establishing the Lexgreen Services Limited Remuneration Trust (the “Trust”). Among other things, the trust deed named the Appellant as “the Founder”, appointed a company with a Jersey address as trustee, and stated that the Founder had settled a sum of £100 to the trust.
11. Over the following years, the Appellant settled further sums into the Trust totalling £6,525,000.
12. The Trust’s ten-year anniversary occurred on 28 September 2015.
13. It is common ground between the parties that a ten-year anniversary charge (under s 64 IHTA) has arisen. There is no dispute that the amount of the charge is £155,466.27 (plus any accrued interest).
14. On 22 December 2020, following correspondence between the parties, HMRC issued the “Notice of Determination” that is the subject of the present dispute.
15. The Notice of Determination provides (among other things) that

“The Settlor is liable to pay that Inheritance Tax together with interest at the statutory rate from 31 March 2016 until the date the Inheritance Tax is paid having regard to section 201 (1) (d) IHTA 1984.”
16. Following a statutory review, the Appellant notified its appeal to the Tribunal on 21 July 2021.

THE LEGISLATION

17. Section 201 IHTA provides:

“PART VII LIABILITY General rules

201 Settled property.

(1) The persons liable for the tax on the value transferred by a chargeable transfer made under Part III of this Act are—

- (a) the trustees of the settlement;
- (b) any person entitled (whether beneficially or not) to an interest in possession in the settled property;
- (c) any person for whose benefit any of the settled property or income from it is applied at or after the time of the transfer;
- (d) where the transfer is made during the life of the settlor and the trustees are not for the time being resident in the United Kingdom, the settlor.

(2) Where the chargeable transfer is made within seven years of the transferor's death but is not a potentially exempt transfer, subsection (1)(d) above shall not apply in relation to so much of the tax as exceeds what it would have been had the transferor died more than seven years after the transfer.

(3) Subsection (1)(d) above shall not apply in relation to a settlement made before 11th December 1974 if the trustees were resident in the United Kingdom when the settlement was made, but have not been resident there at any time during the period between 10th December 1974 and the time of the transfer.

(3A) Subsection (1)(d) above shall not apply in relation to the tax chargeable on the value transferred by a potentially exempt transfer which proves to be a chargeable transfer in a case where the settlement was made before 17th March 1987 if the trustees were resident in the United Kingdom when the settlement was made, but have not been resident there at any time between 16th March 1987 and the death of the transferor.

(4) Where more than one person is a settlor in relation to a settlement and the circumstances so require, subsection (1)(d) above shall have effect in relation to it as if the settled property were comprised in separate settlements.

(4A) Where—

- (a) a charge to tax arises under or by virtue of section 74A, or
- (b) in a case where paragraphs (a) to (d) of section 74A are satisfied, a charge to tax arises under section 64 or 65 in respect of the relevant settled property (within the meaning of section 74A),

subsection (1) of this section has effect as if the persons listed in that subsection included the individual mentioned in section 74A(1)(b)(i).

(5) For the purposes of this section trustees of a settlement shall be regarded as not resident in the United Kingdom unless the general administration of the settlement is ordinarily carried on in the United Kingdom and the trustees or a majority of them (and, where there is more than one class of trustees, a majority of each class) are for the time being resident in the United Kingdom.

(6) References in this section to any property include references to any property directly or indirectly representing it."

THE ISSUES

18. This case is a lead case, pursuant to rule 18 of The Tribunal Procedure (First-tier Tribunal) (Tax Chamber) Rules 2009.

19. The agreed issue of law under rule 18 is whether a company that has made contributions to a trust is liable for any inheritance tax arising on the 10th anniversary of that trust as a result of Inheritance Tax Act 1984 s201(d).

20. In the present case, if this Tribunal determines that a company can be liable under s 201(1)(d), it must then be determined whether the present Appellant is in fact liable for the charge in this case.

21. Put more simply, I must first decide whether a company *can be* liable, and then decide whether this company *is* liable.

CAN A COMPANY BE LIABLE?

22. The operative part of s 201(1)(d) provides that the settlor is liable (among other things) where the transfer is made “during the life of the settlor”.

23. We were provided with the Cambridge Dictionary definition of “life”, which includes the following entries:

“Life noun (Time alive): The period between birth and death, or the experience or state of being alive

Life noun (Time of operation): The period for which a machine or organization lasts.”

Arguments for the appellant

24. Mr Firth, for the Appellant argues that “life” has its ordinary meaning and refers to the period between birth and death of a living thing – i.e. the state of being alive. Mr Firth submits that a company is not alive, does not die and does not have a life, accordingly, it cannot be liable under s.201(1)(d).

25. Mr Firth begins by setting out three ‘guiding principles’ of statutory interpretation.

26. The first is the importance of using the ordinary meaning of words. In support of this he cites an excerpt from *Imperial Tobacco Limited v The Lord Advocate* [2012] UKSC 61:

“The best way of ensuring that a coherent, stable and workable outcome is achieved is to adopt an approach to the meaning of a statute that is constant and predictable. This will be achieved if the legislation is construed according to the ordinary meaning of the words used.”

27. Mr Firth also drew my attention to the following paragraphs from *R (on the application of O (a minor, by her litigation friend AO)) (Appellant) v Secretary of State for the Home Department (Respondent)* [2022] UKSC 3 (“the O Case”).

28. At [29] Lord Hodge said:

“29. The courts in conducting statutory interpretation are “seeking the meaning of the words which Parliament used”: *Black-Clawson International Ltd v Papierwerke Waldhof-Aschaffenburg AG* [1975] AC 591, 613 per Lord Reid of Drem. More recently, Lord Nicholls of Birkenhead stated:

“Statutory interpretation is an exercise which requires the court to identify the meaning borne by the words in question in the particular context.”

(*R v Secretary of State for the Environment, Transport and the Regions, Ex p Spath Holme Ltd* [2001] AC 349, 396). Words and passages in a statute derive their meaning from their context. A phrase or passage must be read in the context of the section as a whole and in the wider context of a relevant group of sections. Other provisions in a statute and the statute as a whole may provide the relevant context. They are the words which Parliament has chosen to enact as an expression of the purpose of the legislation and are therefore the primary source by which meaning is ascertained. There is an important constitutional reason for having regard primarily to the statutory context as Lord Nicholls explained in *Spath Holme*, 397:

“Citizens, with the assistance of their advisers, are intended to be able to understand parliamentary enactments, so that they can regulate their conduct accordingly. They should be able to rely upon what they read in an Act of Parliament.”

29. And at [31]:

31. Statutory interpretation involves an objective assessment of the meaning which a reasonable legislature as a body would be seeking to convey in using the statutory words which are being considered. Lord Nicholls, again in *Spath Holme*, 396, in an important passage stated:

“The task of the court is often said to be to ascertain the intention of Parliament expressed in the language under consideration. This is correct and may be helpful, so long as it is remembered that the ‘intention of Parliament’ is an objective concept, not subjective. The phrase is a shorthand reference to the intention which the court reasonably imputes to Parliament in respect of the language used. It is not the subjective intention of the minister or other persons who promoted the legislation. Nor is it the subjective intention of the draftsman, or of individual members or even of a majority of individual members of either House. ... Thus, when courts say that such-and-such a meaning ‘cannot be what Parliament intended’, they are saying only that the words under consideration cannot reasonably be taken as used by Parliament with that meaning.”

30. As can be seen from the above, the context of the words is also of vital importance in determining the intended meaning.

31. Mr Firth’s second principle is a presumption that a concept should be assumed to have been used consistently by the legislature in different places within the same piece of legislation. He refers to *R (Good Law Project) v Electoral Commission* [2018] EWHC 2414 (Admin) where Legatt LJ said at [33]:

“Save for one point, there is no dispute about the principles of statutory interpretation. The basic principles are that the words of the statute should be interpreted in the sense which best reflects their ordinary and natural meaning and accords with the purposes of the legislation. It is generally reasonable to assume that language has been used consistently by the legislature so that the same phrase when used in different places in a statute will bear the same meaning on each occasion – all the more so where the phrase has been expressly defined.”

32. The third principle is the relevance of how the legislation has been drafted. Put another way, the question must be asked as to whether the draftsman would have drafted the section differently if they intended it to apply in the way argued for. Mr Firth rightly suggested “Parliament would not intend an odd and difficult interpretation”.

33. To illustrate the principle Mr Firth referred to (*Total E&P North Sea UK Limited v. HMRC* [2020] EWCA Civ 1419, where Newey LJ said at [37]:

“...Had Parliament intended the section 7(5) election to be subject to a limitation of the kind that the UT considered to exist, it could be expected to have explained its wishes more clearly and to have catered for the sorts of issue I have mentioned”

34. None of these principles were contested by Mx Lunt.

35. Having set out these principles, Mr Firth sought to demonstrate that his proposed interpretation of ‘life’ was correct. He argued that his proposed interpretation was manifestly

correct in the context of inheritance tax, a tax that Mr Firth described as being “fundamentally concerned with life and death”.

36. Mr Firth took me to various other sections of IHTA, which he suggested were clear that life must be by reference to the state of being alive, which ends with death. For example:

- (1) Section 43(2) refers to a “periodical payment payable for a life” and “a lease of a property which is for live or lives”
- (2) Section 52 refers to a transfer “during the life of a person beneficially entitled”
- (3) Section 53 refers to when an interest “comes to an end during the settlor’s life”
- (4) Section 54 refers to where the death of a person with an interest in possession in settled property occurs “during the settlor’s life”
- (5) Section 167 refers to a policy of insurance on a person’s life

37. On my reading, none of these sections would clearly show an intention by the draftsman to exclude corporate entities from their scope.

38. Mr Firth also took me to sections 94 and 202 as an example of when companies were expressly made subject to IHT. These sections concern the apportionment of transfers of value by a close company to participators in that company. Section 202 lists as liable “the company making the transfer of value concerned”.

39. Sections 94 and 202 make sense in their particular context – a specific provision concerning companies makes reference to companies. However, it does not offer a great deal of assistance when considering the approach to take to wording that may refer to a wider class of entities.

40. Mr Firth also suggested that it was necessary to choose only one of the limbs of the meaning set out in the dictionary definition set out above, on the basis that “it is not possible for the same word in the same place in the legislation to have two different meanings”. When asked whether there was any authority for the suggestion that a definition could not encompass both of the limbs set out above, Mr Firth was not able to cite any.

41. The reason for this is that there is, so far as I am aware, no reason why a definition cannot encompass multiple limbs that apply to different entities. So long as the definition can be clearly applied to a given set of facts, there should be no issue in understanding the intention of parliament.

42. Mr Firth set out practical problems with applying the second limb of the dictionary definition.

43. He pointed out that the dictionary provided a number of examples to illustrate the definitions of ‘life’. One of those examples was the phrase the example that “The newer batteries have a much longer life”. Mr Firth said that “battery life and machine life refer to a period of time, rather than a period in time. For instance, a battery’s life may be 1 year, but that does not refer to any particular year or even a consecutive period of time (depending on actual use)”. He commented further that “A battery that has reached the end of its “life” still exists in physical terms beyond that point (and can, potentially be recharged).” Mr Firth also commented that “How does one identify when the “life” begins – is it when the battery comes into physical existence, when it begins to be used or something else”.

44. In the context of companies, Mr Firth said that similar problems might arise in determining when a company’s life begins and ends, and what happens when a company is reinstated to the register.

45. Finally, Mr Firth drew my attention to paragraph 28 of Sch 13 Finance Act 2025. This legislation introduces changes to IHTA that seem to put the point beyond doubt in future cases.

46. Paragraph 28(6) of that schedule amends the “general interpretation” section of IHTA (s 272) to include:

“A reference in this Act to a settlor’s being alive or dying is to be read, in relation to a settlor who is a body corporate, as a reference (respectively) to the body’s being in existence or ceasing to exist.”

47. However, paragraph 48 of the same schedule limits the application of the new insertion in some circumstances:

“48. The insertion of section 272(2) of IHTA 1984 by paragraph 28(6) of this Schedule (meaning of references to dying or being alive in the case of corporate settlors) is to be disregarded in construing section 201(1)(d) of IHTA 1984 in relation to property that became comprised in the settlement before 6 April 2025.”

48. The explanatory note to paragraph 28 provides:

“Insofar as this change affects the interpretation of subsection 201(1)(d) which relates to the settlor’s liability to IHT on settled property where the trustees are non-resident, this clarifies the existing law.”

49. The explanatory note also states that the schedule that includes the above

“set[s] out additional changes consequential on or connected to the changes which replace the domicile-based inheritance tax (IHT) system with a new residence-based system.”

50. Mr Firth does not suggest that the changes indicate that his proposed interpretation was correct, resulting in a positive decision to change the law. Instead, he puts forward the above as an example of how Parliament would have legislated if it was intended to cover corporate settlors in s 201(1)(d). This draws upon Mr Firth’s third ‘guiding principle’.

51. Overall, Mr Firth suggests that his interpretation is correct, and that HMRC’s approach must fail.

Arguments for HMRC

52. I have not set out Mx Lunt’s submissions in detail as I largely agree with them.

53. In summary, Mx Lunt suggested that the starting point for interpreting s 201(1)(d) should be the word ‘settlor’. This word is a defined term that clearly includes corporate entities.

54. Mx Lunt suggests that the approach put forward by Mr Firth effectively limits the operation of section 201(1)(d) to settlors who are individuals. Mx Lunt argues that if Parliament had intended this, the draftsman could have expressly referred to “a settlor who is an individual”.

55. Overall, Mx Lunt submits that the intention behind the section is that where tax is due it is collected. To exclude corporates would mean that companies could not be liable as settlors and that an individual settlor could therefore avoid IHT by placing a corporate body between themselves and the settlement.

DISCUSSION

56. Mr Firth’s submissions seek to draw a line beginning with the “life and death” nature of inheritance tax, via provisions covering ‘leases for life’ to the conclusion that a company must have a life force to be liable for the tax in question.

57. However, Inheritance Tax began life as Capital Transfer Tax. It remains primarily a tax on transfers of value.

58. It is certainly the case that there is a deemed transfer of value on death, but this case does not concern such a transfer. In this case this Tribunal is concerned with the freestanding charge on property comprised in a settlement at the ten-year anniversary of that settlement. The notion that IHT is ‘fundamentally concerned with life and death’ is perhaps reaching a little too far and does not accord with the reality of the tax charge being imposed in the present case.

59. Mr Firth’s guiding principles are sensible and uncontroversial. However, I disagree that they point towards the result he seeks.

60. The approach is summarised pithily in the extract above from the *Good Law Project* case. That is to say, the basic principles are that the words of the statute should be interpreted in the sense which best reflects their ordinary and natural meaning and accords with the purposes of the legislation.

61. In this case, the purpose of the legislation is clear. Section 201 is intended to determine who bears liability for tax.

62. Section 201 sets out a list of potential persons who might be liable to the relevant tax charge. Broadly speaking, these are the trustees, any person with an interest in possession, any person receiving a benefit, or the settlor.

63. 201(1)(d) covers the circumstances where the settlor may be liable. It provides (so far as is relevant) that such liability arises where the transfer is made “during the life of the settlor”.

64. I agree with Mx Lunt (and I don’t think Mr Firth disagrees) that a company can be a settlor.

65. The question is therefore, where the settlor is a company, how is the Tribunal to interpret the phrase “during the life of the settlor”.

66. Mr Firth’s approach suggests that what the parliamentary draftsman meant was to implicitly exclude all corporate settlors from liability. Mx Lunt’s approach is that the Tribunal can simply interpret the ‘life’ of a company to be its period of incorporation.

67. I would find it surprising if the draftsman had intended to create a wide exclusion from liability for corporate settlors without expressly stating as much. It would have been very simple for the clause to begin with the words “In the case of a settlor who is an individual” so as to make such a limitation express.

68. I find it inherently far more likely (and in keeping with Mr Firth’s third ‘guiding principle’) that the draftsman intended to include all settlors, leaving it to the courts to determine whether a transfer was “made during the lifetime of the settlor” in any given case.

69. I see no basis for Mr Firth’s suggestion that the word ‘life’ can only mean human life. It is perfectly possible for the definition of a word to be wide enough to enable application to different subject matter. The dictionary definition I have been provided with (to echo the words of Lord Hodge in the *O Case*) allows any citizen to understand the meaning of the act so they can regulate their conduct accordingly.

70. In the case of a company, I find that it is perfectly possible to interpret the phrase “during the life of the settlor” as meaning “at a time when the settlor is a live company”.

71. This is in keeping with the ordinary meaning of the words of the section, is consistent with the use of the words elsewhere and with the way the draftsman has chosen to draft the section.

72. There may be arguments as to whether a particular company is ‘live’ at a given moment, but there may similarly be arguments in relation to a human settlor as to whether they are alive at a given time. There is no need to settle existential questions of when life begins and ends (or stops and starts) in order to determine this case.

73. In the normal course of events, a UK company which has been duly incorporated and remains on the register of companies would seem to me to be live. However, the parties to a given case can raise any arguments they wish to the effect that a particular settlor should not be considered a live company at the material time.

74. In considering the question of consistency across the statute, Mr Firth cited various sections which he argued can only apply to human life. I am doubtful that the general expectation of consistency really supports the suggestion that Parliament intended to exclude corporate settlors from being liable to the tax.

75. In any event, the sections Mr Firth took me to do not seem to me to support his argument. For example, although it is true that it is commercially unlikely that a life insurance policy would be offered covering the life of a company, or a lease for the life of a company, there is no reason to suggest the draftsman intended to exclude the application of the statute to such situations.

76. The examples Mr Firth cite that use the words “life” and “death” in close proximity do not provide his argument with any greater strength. This case is about the question of whether an event occurred “during the life of a company”. The case is not concerned with how ‘death’ might be applied to a company.

77. I answer the common issue under rule 18 thus: yes, a company that has made contributions to a trust can be liable for any inheritance tax arising on the 10th anniversary of that trust as a result of Inheritance Tax Act 1984 s201(d), if it is a live company at the time of the transfer.

IS THIS COMPANY LIABLE?

78. Having decided that s 201(1)(d) can apply to a company where the company was a live company at the relevant time, it is necessary to apply that decision to the facts in this case in order to determine the appeal.

79. There has been no suggestion that Lexgreen has not remained a live company from its incorporation up until HMRC’s determination.

80. I could simply provide this decision as a decision in principle on the common issue for the purposes of rule 18. However, I consider it is in the interests of justice to determine the matter on the material before me. If any party considers that the decision fails to take into account particular evidence, then an application can be made to have the decision set aside.

81. On the evidence available before me (being a copy, in the hearing bundle, of the Companies House overview produced on 15 April 2025 showing the Appellant as incorporated on 20 May 1996 and having active status on 15 April 2025), I find that the Appellant was a live company at all times between 20 May 1996 and 15 April 2025.

82. I must confess to being a little unclear on what transfer s 201(1)(d) refers to in this case. Section 201 operates by reference to the value transferred by a chargeable transfer, but I am not sure that section 64 gives rise to a transfer.

83. Section 64 provides (so far as is relevant):

“Principal charge to tax

64 Charge at ten-year anniversary.

(1) Where immediately before a ten-year anniversary all or any part of the property comprised in a settlement is relevant property, tax shall be charged at the rate applicable under sections 66 and 67 below on the value of the property or part at that time.”

84. On my reading, this is a straightforward charging provision that operates separately to a chargeable transfer. Section 66 posits a hypothetical chargeable transfer for the purposes of determining the rate of the s 64 charge, but tax does not appear to be imposed on a hypothetical transfer.

85. In any event, this point has not been raised before me, so I simply determine the matter on the basis of the factual finding I have made.

86. As the Appellant was live at all times between 20 May 1996 and 15 April 2025, any transfer made between those dates was made ‘during the life’ of the Appellant. The Appellant’s appeal must therefore be dismissed.

CONCLUSION

87. For the reasons set out above, I find that:

(1) The answer to the common issue under rule 18 is: yes, a company that has made contributions to a trust can be liable for any inheritance tax arising on the 10th anniversary of that trust as a result of Inheritance Tax Act 1984 s201(d), if that company is a live company at the time of the relevant transfer.

(2) The Appellant was a live company at all material times

88. I therefore dismiss the appeal.

RIGHT TO APPLY FOR PERMISSION TO APPEAL

89. This document contains full findings of fact and reasons for the decision. Any party dissatisfied with this decision has a right to apply for permission to appeal against it pursuant to Rule 39 of the Tribunal Procedure (First-tier Tribunal) (Tax Chamber) Rules 2009. The application must be received by this Tribunal not later than 56 days after this decision is sent to that party. The parties are referred to “Guidance to accompany a Decision from the First-tier Tribunal (Tax Chamber)” which accompanies and forms part of this decision notice.

Release date: 21st AUGUST 2025