Inheritance tax on pensions could delay probate

Briefings

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Plans to charge inheritance tax on unused pension pots could lead to delayed probate agreements and potential financial problems for grieving families, ATT has warned. The Chancellor announced in October's Budget that, from April 2027, any unused pension funds or death benefits will be included within the value of an individual's estate on death and be subjected to inheritance tax.

The ATT has warned the additional administration work of these new requirements will result in increased costs, time and stress, and beneficiaries could run into financial trouble if probate is delayed. The association is calling for a separate IHT regime for pensions.

Jon Stride, Vice Chair of the ATT Technical Steering Group, said: 'The need to resolve the IHT position first, even if no IHT is ultimately due, is likely to delay when Pension Scheme Administrators can pay income or lump sums out to survivors. This could cause cashflow issues for some surviving spouses or partners.

‘Given the administrative challenges, we think that there would be merit in exploring a separate IHT regime for pensions which would help to meet the government’s policy intention, without creating excessive burdens on personal representatives.’