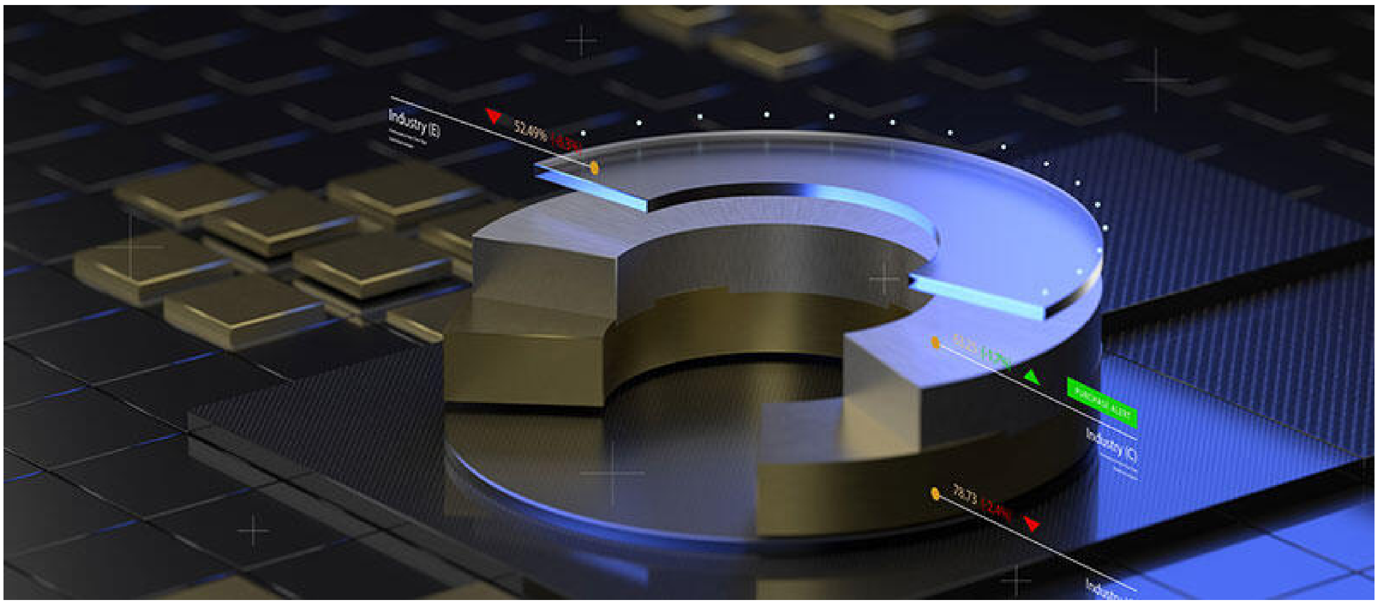
CIOT and ATT House of Lords Evidence Sessions

Management of taxes | Personal tax | Inheritance Tax and trusts



25 November 2025

CIOT and ATT representatives recently gave evidence to the House of Lords Economic Affairs Finance Bill Sub-Committee on measures in the draft Finance Bill.

Each year, the House of Lords Economic Affairs Finance Bill Sub-Committee conducts an inquiry into specific aspects of the draft Finance Bill, taking written and oral evidence to produce an apolitical report. The CIOT and ATT are regularly called to give evidence to the Sub-Committee, and this is an important avenue for us to highlight key areas of concern with the draft legislation.

The House of Lords’ role in scrutinising Finance Bills is limited, due to the House of Commons having primacy in matters of taxation and public spending (known as ‘financial privilege’). This means that the House of Lords cannot amend a Finance Bill and is not allowed to have opinions on substantive tax questions or on tax policy. The annual Finance Bill inquiry therefore focuses on the technical issues of tax administration, clarification and simplification. The Sub-Committee publishes a written report on the draft Finance Bill, usually in December.

This year, the Sub-Committee inquired into the following areas of the draft Finance Bill (see tinyurl.com/4vpaawv3).

Proposals to close down on promoters, particularly the proposal to make a failure to notify a scheme under DOTAS a criminal offence

Margaret Curran, a member of the CIOT's Technical Team, gave oral evidence to the Sub-Committee on 13 October 2025. She expressed concern over the fact that a failure to notify a scheme under DOTAS will be a strict liability criminal offence.

She also highlighted that the hallmarks used to determine DOTAS disclosures are vague and broad, making it difficult for advisers to know with certainty when disclosure is required. Combined with the absence of the need to prove intent in strict liability offences, this poses a significant risk to compliant advisers – and Margaret suggested that strict liability measures are better suited to clear-cut infractions such as speeding.

Margaret also warned that the broad definition of 'senior manager' could implicate individuals with no involvement in tax matters, increasing risk for firms.

Instead, she proposed more targeted approaches, including targeting specific features of problematic schemes, using HMRC's Standard for Agents to define avoidance, and scoping out registered agents who interact with HMRC. She advocated delaying the introduction of a criminal offence until the impact of other upcoming legislation aimed at tackling disguised remuneration avoidance schemes has been assessed.

Margaret also cautioned that introducing the offence in its current form could lead to over-disclosure, increased professional indemnity insurance costs, and have a negative and distortive impact on the tax advisory market. This could lead advisers to withdraw from giving certain types of advice, deeming the risk of potentially being liable to a criminal offence too great.

She pointed out that this measure must also be viewed in the context of another measure in the draft Bill looking at non-compliance facilitated by advisers, where a wide definition of ‘deliberate conduct’ could result in legal interpretation issues. Advisers can foresee difficulties with the advice they can comfortably give because of the increased risks presented by these measures.

Following the evidence session, the Sub-Committee sent a letter to the Exchequer Secretary to the Treasury highlighting its concerns about the proposed offence in its current form (see tinyurl.com/5n6mw9ac).

A recording of the evidence session for Parliament TV is available at tinyurl.com/4vbnmvuh. A written transcript of the evidence session can be found at tinyurl.com/53jwubsx.

Inheritance tax changes

The inheritance tax changes were addressed in two panels on 20 October 2025.

In the panel on ‘Reforming inheritance tax: unused pension funds and death benefits’, John Bunker, a solicitor and chartered tax adviser with Irwin Mitchell, provided evidence on behalf of the CIOT.

John highlighted how the new measures will increase the risk for personal representatives (PRs). The proposed changes will result in PRs being liable for tax on assets over which they have little or no control, making the role of PR unattractive and potentially unmanageable.

The panel explained that the current six-month window in which PRs must complete all relevant enquiries, obtain scheme information and pay any inheritance tax is unrealistic, given the complexity of pension arrangements and the amount of coordination needed with pension scheme administrators.

John suggested that measures to mitigate the impact of the changes could include making the pension schemes responsible for their own tax, or asking pension schemes to withhold 50% of the pension pot until the inheritance tax position is established. The panel also proposed extending the time that PRs have to pay inheritance tax on pension assets.

Reforms to agricultural property relief and business property relief

Emma Chamberlain, barrister at Pump Court Tax Chambers, provided evidence on behalf of the CIOT and STEP. Helen Thornley, ATT Technical Officer, provided evidence on behalf of the ATT.

The panel highlighted several practical issues with the proposed changes, explaining that the new rules will not be easy for many taxpayers to navigate. Many more business owners will need to obtain valuations, which will be complex, particularly for minority shareholdings and trade assets including livestock and machinery. Concerns were expressed about the lack of available specialist expertise for both taxpayers and HMRC, who will need to check valuations received. Although government commentary suggests that only a limited number of estates will be affected, the reality is that many farms and small businesses with over £1 million in assets will fall within scope of the new measures.

The panel recommended that the new allowance should be transferable between spouses and civil partners, in line with the existing nil rate band. Transitional measures for older farmers and business owners would also help to avoid the cliff edge effect of the current rules.

The panel concluded with thoughts on the policy making process. It was noted that consultation to date has been limited, focusing on the impact of the measures on trusts. Emma suggested that there would be merit in standing back before introducing further complexity to an already quite dysfunctional system.

A recording of the two evidence sessions for Parliament TV, together with links to the written transcript of the evidence can be found at: tinyurl.com/4fb7n4ma.

The CIOT's written evidence sent to the sub-committee ahead of the inheritance tax oral evidence sessions can be found at www.tax.org.uk/ref1566 and the ATT's evidence can be found at www.att.org.uk/ref502.

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