# Tax professionals welcome Lords recommendations on inheritance tax

Briefings

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A House of Lords report on the government’s inheritance tax (IHT) reforms endorses changes that CIOT and ATT have been calling for.

From April 2027, most unused pension assets and certain death benefits will be brought within the taxable value of an individual’s estate for IHT purposes. This change forms part of the government’s broader aim of modernising IHT and ensuring parity between pension wealth and other forms of capital, but it also creates extra administrative demands for those involved in estate administration.

A House of Lords Sub-Committee considered the changes, publishing a series of recommendations on the proposals on 28 January. These strongly reflect concerns voiced by tax professionals in written and oral evidence to the Lords inquiry over the autumn.

One particular concern expressed by tax bodies and picked up by the peers was that the current statutory six-month deadline for payment of IHT would be incompatible with the timescales on which existing pension processes operate, creating an elevated risk that personal representatives (PRs) could incur late payment interest through no fault of their own.

Key recommendations in the report include:

- extending the IHT payment deadline for pension assets from six to 12 months, at least during a transitional period, recognising that pension scheme administrators (PSAs) often cannot produce valuations within shorter timeframes;
- introducing a statutory ‘safe harbour’ from late payment interest where PRs can demonstrate they took reasonable steps to comply but were delayed by circumstances beyond their control; and
- allowing adequate time for stakeholders to review draft regulations on information sharing between PSAs and PRs, with improved guidance seen as essential for workable implementation.

The report saw substantial engagement from both organisations, with 44 citations for CIOT, including witnesses John Bunker and Emma Chamberlain, and 41 for ATT, including witness Helen Thornley.

CIOT welcomed the report’s strong endorsement of its concerns about the need for early guidance on the proposed IHT pension changes. The Institute highlighted the committee’s call for draft guidance and regulations well ahead of the planned April 2027 start date, arguing that this is essential for advisers, PRs and PSAs.

CIOT also supported recommendations on extending IHT payment deadlines, addressing valuation difficulties and considering loss-on-sale relief for pension assets.

The ATT also welcomed many of the committee’s recommendations, reflecting its own evidence to the inquiry, which called for measures to improve the workability of the proposed IHT regime.

These include:

- a wider valuation window than the current four weeks, recognising the complexity of valuing illiquid or unusual pension investments;
- timely access to pension data, particularly through the Pensions Dashboard, so that PRs can be confident they have identified all relevant schemes; and
- consistent treatment of assets, to address disparities where pension assets sold at a loss could be treated differently from other taxable assets.

ATT technical officer Helen Thornley described the committee's recommendations as 'pragmatic and fair-minded', reflecting the considerable administrative burden that the new system could place on PRs.

The committee also considered related measures on business property relief (BPR) and agricultural property relief (APR).

In the report, the committee expresses concern that the APR/BPR anti-forestalling measure 'goes too far' and says the government 'should seek views on how to ensure that older individuals are not unfairly impacted by the changes'.

CIOT Vice President John Barnett welcomed this recommendation, saying he hoped the government would heed calls for some kind of transitional arrangement for older farmers and business owners in particular. He encouraged ministers to consider CIOT's proposal of amending the legislation so that any gifts made between 30 October 2024 and 5 April 2026 of relievable assets would continue to benefit from the old rules even if the person died within seven years.

CIOT and ATT warnings were cited extensively in the House of Commons during January's committee stage debate on the IHT proposals. Liberal Democrat Treasury spokesperson Daisy Cooper cited both organisations, highlighting the risk that PRs could be personally liable for IHT on pension funds that they did not know about.

Shadow Exchequer Secretary James Wild also praised both CIOT and ATT for offering 'practical solutions' to the problems with the legislation, such as extending the withholding period.

The Finance Bill has now completed its House of Commons committee stage and is expected to conclude its passage through Parliament and pass into law during March. At time of writing, there is no expectation that the government will make further changes to the legislation.