Finance Bill 2025-26: clauses 62 and 63-68 - inheritance tax changes to pensions and agricultural and business property relief

Inheritance Tax and trusts

March 2026



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The CIOT and ATT have produced briefings commenting on the inheritance tax measures contained in Finance Bill 2025-26, covering the changes to agricultural and business property relief, and inheritance tax on pensions.

At the time of writing, the Finance Bill 2025-26 is making its way through the committee stage, with ministers examining each clause before the Bill receives Royal Assent. The CIOT and ATT's briefings have been published to inform debate, raise awareness of technical and practical issues, and call for changes to make the legislation simpler and fairer.

Changes to agricultural and business property relief

The CIOT's concerns focused on the impact of the anti-forestalling rules on older individuals or those in ill health, who may have less opportunity to change their plans. We also highlighted the practical difficulties of funding significant inheritance tax (IHT) liabilities from illiquid businesses. We suggested easing the share buy-back provisions and loan to participator rules to allow executors to more easily access company funds, as well as improvements to the estate administration process to enable business valuations to be agreed more efficiently.

The full CIOT briefing is available here.

The ATT similarly cautioned against the anti-forestalling rules, noting that the customary advice to businesses for the last three decades was to hold on to qualifying assets, whereas the capped reliefs now incentivise lifetime giving. However, for many older farmers and business owners, there is now too little time to make gifts and survive seven years for the value to come out of their estate.

The full ATT briefing is available here.

Bringing unused pension pots into scope for inheritance tax

The ATT highlighted the complexity in applying the new rules, particularly for lay personal representatives, who will need to take advice from a range of different professionals. We have called for a longer pension withholding period, where necessary, to limit the personal liability for IHT of those administering the estate, as well as an option for instalment payments where illiquid assets are involved, and the removal of the £1,000 direct payment minimum threshold.

We also raised concerns about the impact of the changes for unmarried couples, who do not benefit from the IHT exemption available to spouses or civil partners.

The full ATT briefing is available here.

The CIOT noted that the information-sharing regulations and guidance will be vital to allowing these measures to work in practice, and that these need to be available well in advance of 6 April 2027. We highlighted several areas of ambiguity in the draft legislation where clarification will be needed, for example in respect of the interaction between IHT on pension funds and the income tax on withdrawals used

to meet that liability.

We stressed the impact of these added complexities on the existing estate administration timeline, combined with high HMRC interest charges for late payment, and suggested an extension of the six-month payment deadline to align it with the twelve-month reporting deadline.

The full CIOT briefing is available here.

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