CIOT calls for changes to make pension IHT reforms workable

Inheritance Tax and trusts

September 2026

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The CIOT has written to the Financial Secretary to the Treasury highlighting several practical concerns arising from the decision to bring certain pension interests within the scope of inheritance tax from 6 April 2027 under the Finance Act 2026.

While supporting the policy objective of aligning the inheritance tax (IHT) treatment of pension wealth with other assets, the CIOT points out that several aspects of the legislation could create unfair outcomes, administrative burdens and delays for families, personal representatives, pension scheme administrators and HMRC.

The CIOT identifies five areas where it believes legislative change is needed.

- Pensions discovered after a certificate of discharge has been issued would require HMRC to recalculate and reapportion nil rate bands and any residence nil rate bands, and to recover underpaid tax from multiple beneficiaries. This

creates uncertainty and additional costs. The CIOT proposes taxing late-discovered pension funds at the estate rate without the benefit of any nil rate band, save to the extent it has not been fully used.
- The new rules do not provide a pension equivalent to the existing IHT loss relief available on other estate assets. Given that pensions often contain volatile investments, beneficiaries could face an IHT charge based on values they never ultimately receive. The CIOT recommends extending loss relief to pension assets.
- Similarly, the CIOT suggests that IHT instalment payment provisions should be extended to pension assets. Without this option, pensions holding illiquid assets, such as business premises, could face significant cash-flow difficulties.
- Including pension assets within the ‘general component’ for the reduced 36% charitable donation rate could lead to unintended consequences, disputes and distortions. Gifts intended to meet the conditions for the reduced rate could fall short, or more of the estate may need to be gifted than expected. Creating a separate component for pension assets would seem like a straightforward solution.
- The six-month deadline for paying IHT is unrealistic given the new information-gathering requirements, particularly where multiple pension schemes are involved. The CIOT urges the government to reconsider the deadline, at least during the initial implementation period.

The CIOT has offered to meet ministers to discuss the issues further and will continue to work with HMRC on developing its guidance and technical notes.

The CIOT’s letter can be found here.

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