Inheritance tax relief for charitable gifts in wills

Inheritance Tax and trusts

December 2026



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The CIOT and STEP have jointly written to HMRC asking for clarification on the inheritance tax treatment of charitable gifts made through will trusts, following a change introduced by Finance Act 2026.

The professional bodies have written to HMRC to warn that uncertainty over the new rule for the inheritance tax (IHT) treatment of charitable gifts could create significant practical difficulties for executors, trustees and taxpayers, and may ultimately discourage charitable giving.

The issue arises from FA 2026 s 78, which amends the Inheritance Tax Act (IHTA) 1984 s 23(6) to remove the words ‘or is held on trust for charitable purpose only’. This restricts the IHT charitable exemption to gifts made directly to UK registered charities and clubs meeting the statutory definition. The amendment, effective for deaths on or after 6 April 2026, removes the longstanding provision that allowed

relief where property was held on trust exclusively for charitable purposes.

In their letter to HMRC, CIOT and STEP highlight the impact on a common estate planning arrangement under which a testator leaves all or part of their estate to trustees to hold for charitable purposes, often distributing funds among qualifying registered charities in accordance with a letter of wishes. Such structures provide flexibility, allowing the choice of charity to be updated without rewriting a will and enabling trustees to direct funds to causes that remain relevant at the time of death.

As some practitioners are already finding, a charitable trust created by a will does not exist until the testator’s death and cannot generally be registered before probate is obtained, yet probate cannot be granted until any IHT due has been paid. This creates a potentially circular problem: charitable trusts are unable to satisfy the conditions for IHT exemption, even though the funds are ultimately devoted entirely to charitable purposes.

CIOT and STEP argue that this outcome appears to run counter to the stated policy objective of supporting charitable giving and is disproportionate to the anti-avoidance concerns that prompted the legislation. They note that many affected arrangements involve UK charitable trusts subject to the jurisdiction of UK courts and with no avoidance motive. The uncertainty is particularly acute for estates currently being administered and for existing wills that were drafted before the changes were announced. In some cases, testators may now have lost capacity or died, preventing any amendments to their wills from being made.

The letter asks HMRC to clarify its interpretation of the legislation and guidance, including whether charitable exemption can apply where a charitable trust is registered after death, whether a trust that was not required to register at the date of death can nevertheless qualify, and whether relief could be given provisionally where funds are distributed to registered charities within two years. The CIOT and STEP also suggest that a legislative solution modelled on existing two-year read-back provisions would provide the greatest certainty.

The professional bodies emphasise that clarity is needed urgently. They warn that uncertainty over the availability of charitable exemption, combined with wider impending IHT changes, increases the complexity for personal representatives and risks reducing charitable giving. They have therefore asked HMRC to confirm its position as a matter of priority and to update its guidance accordingly.

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