

Economic Affairs Committee

Finance Bill Sub-Committee

Corrected oral evidence: Draft Finance Bill 2025-26

Monday 20 October 2025

4.30 pm

Watch the meeting

Members present: Lord Liddle (The Chair); Lord Altrincham; Baroness Bowles of Berkhamsted; Baroness Fairhead; Lord Leigh of Hurley; Lord Pitkeathley of Camden Town.

Evidence Session No. 4

Heard in Public

Questions 29 - 44

Witnesses

[I](#): Emma Chamberlain, Technical Officer, Chartered Institute of Taxation (CIOT); Katherine Ford, Technical Manager, Tax, Institute of Chartered Accountants in England and Wales (ICAEW); Helen Thornley, Technical Officer, Association of Taxation Technicians (ATT); Leontia Doran, UK Tax Manager, Chartered Accountants Ireland.

Examination of witnesses

Emma Chamberlain, Katherine Ford, Helen Thornley and Leontia Doran.

Q29 **The Chair:** Could I ask the panel to introduce themselves? We may have a Division at any moment, but let us get the introductions over and we will start on the first question.

Emma Chamberlain: I am a barrister at Pump Court Tax Chambers and I am representing the Chartered Institute of Taxation and STEP.

Katherine Ford: I work for the tax faculty within the ICAEW and I deal with personal taxes.

Helen Thornley: I represent the Association of Taxation Technicians.

Leontia Doran: I am UK tax lead for Chartered Accountants Ireland.

The Chair: The first question is simple. How easy will it be for eligible taxpayers to work out how the proposed changes will affect their inheritance tax liability, especially where both the business property relief and the agricultural relief are claimed? How easy will this be for people?

Emma Chamberlain: Not easy. The Revenue has consistently said that not many estates are affected. That may be true for actually paying inheritance tax, but every estate with business property and agricultural property will have to value it unless the business property is worth almost nothing. First, they have to work out whether it is worth less than £1 million, in which case there is no tax payable, and, secondly, if it is worth over £1 million, how much tax will be payable on that excess. Then they have to work out the previous chargeable transfers that they made within seven years. Valuation, as we all know, is an art, not a science. If you have minority shareholdings, you could be in dispute for a very long time over what those are worth. How will a 30% or 20% share in a business be valued? Ease of working out your liability will not be straightforward in all cases.

Sitting suspended.

Q30 **The Chair:** Welcome back. Having had a look at the question of inheritance tax liability on pensions, we will now turn to agricultural and business property relief. Can the others of you add anything useful to what has been said?

Katherine Ford: I largely agree with Emma. If people are going to look at any sort of planning, they need to know what their current position is. On top of that, if there is a potential to make some lifetime gifts, you also need to know what income those assets generate. You cannot leave the current owner short of income in their old age. It is not an easy thing for an individual to be able to work out themselves. They will also need to know whether they are eligible for the reliefs in the first place and whether they have met the conditions. It is definitely not for the faint-hearted. You will be commissioning an adviser to do a review of your current exposure.

Helen Thornley: I essentially agree with the previous speakers. It is a very complex relief and, to date, all you have had to focus on for APR and BPR are the nuances of whether you meet the criteria. You could work with ballpark figures and say, "It is £10,000 an acre value", and you did not have to think about it. Now you will have to ask whether it is £10,000, £9,000 or £12,000, and get somebody to come out and value it. Ultimately, when we are submitting valuations when someone has died, HMRC needs the resources to check those valuations. We are looking at specialist valuations because you now have to think, "I have a milking parlour, my tractors and my cattle on a herd basis. Someone now has to tell me what the market value of all that is". Previously, we could have used what we call the book value—what it is sitting at in the accounts. It will require people with specialist knowledge to do that.

Leontia Doran: Helen is right. The issue boils down to whether these people can get the professional advice in time to efficiently plan and look at how their estate will be impacted. There will be taxpayers who have never had to take professional advice previously because they qualified for 100% relief, particularly sole farm owners. It is quite common, especially in NI, for the farmer to own that farm on their own. I think that

the wider ripple effect on the market has not been addressed.

The Chair: The Government say that this is not as complicated as people claim, particularly if you are a married couple, because the valuation that is free of tax is £3 million and not that many people will be affected by it. Do you agree with that simple statement? If not, what is wrong with it?

Katherine Ford: It very much depends on what happens on the first death and who assets go to. If assets pass to the surviving spouse, as it stands the £1 million allowance of the person who has died will be wasted. It is not transferable in the same way that the nil-rate band and the residential nil-rate band are. They were deliberately made transferable to avoid complexity and the cost of having to deal with post-death deeds of variation. For the £1 million not to be transferable makes it incredibly complicated. It also potentially means that, on the second death, the surviving spouse owns all the assets. Once you start going over £2 million, your residential nil-rate band, which is £175,000 per person, starts being tapered away. Once you hit £2,350,000, you have lost your £350,000 of residential nil-rate band, so I cannot see how you can get to £3 million per couple.

The Chair: So it is just mathematically incorrect.

Emma Chamberlain: Yes. Perhaps, to be fair to the Revenue, with some nifty inheritance tax planning and lots of professional advice you could get to £3 million, with a bit of luck, on the valuations as well, because if you gave the £1 million to your spouse and left her or him sufficient assets to use it, and you gave away £1 million on your death and the spouse when they died did not have assets exceeding £2 million and had made sure that the total estate did not exceed £2 million, then you could get £3 million. However, it would require some pretty nifty tax planning and a bit of a fair wind.

Leontia Doran: There is an assumption that someone will be entitled to full spousal exemption, which is not always the case. If you are making the gift to a spouse who is not classed as a long-term resident, you are limited to £325,000 and that will not apply, so it is too simplistic from that point of view. It also assumes that the assets are jointly owned, and that will not always be the case. In some scenarios there will be a need to restructure and make spousal transfers to try to access a higher level of relief. Also, the £1 million allowance is not transferable between spouses either.

Helen Thornley: Essentially, the £3 million is possible but it requires a very specific set of circumstances. If you are not within those circumstances, you may not be able to get yourself into that window. I had a member report to me that three shareholders were looking at transferring £1 million worth of shares to each of their spouses. For a start, for the two who have spouses, it will take two years for the spouse to qualify in their own right, so there is a period before the spouse has £1 million worth of assets to use their allowance.¹ One of the shareholders

does not have a spouse. Therefore, if you do some planning to bring in spouses for two, you are leaving the other out of sync, so not everybody is in that position. With the farming community, where farms tend to be more family owned, transferring and equalising between the spouses is less of an issue, but with a business where they are not all family and people are not related, the ability to bring spouses into the business to use their allowance may not be something that other shareholders are comfortable with.

Leontia Doran: You also have complications from different types of structures of ownership, from company ownership structures to partnerships and trusts. That also complicates the picture of what the overall nil per cent band would be.

Emma Chamberlain: Yes, if you have a business with other colleagues and you each own a third of the company, they probably will not want you to give some of your shares to your spouse. That is the last thing they will want. The £3 million is a theoretical concept, but it will not often be available. There is no doubt that the changes complicate will-drafting quite considerably because of the way people want to maximise the relief, both the £1 million and the 50%.

Q31 **Lord Pitkeathley of Camden Town:** I was just thinking of the song "The Farmer Wants a Wife". How might the shift from book cost valuations under the current relief to fuller valuations under the new rules play out in practice? In particular, what challenges will estates face in obtaining valuations on the relevant assets and agreeing those valuations with HMRC before IHT falls due?

Helen Thornley: That picks up on what I was saying earlier about milking parlours and everything. Essentially, it will require people with specialist knowledge to do it. There is an art to valuing land and property, but it is a possibility. Everything can be valued but we probably do not have the number of valuers that we will need for some of the business assets. As Emma was saying, valuing company shares is an exercise with specialist rules and a lot of range for negotiation. It is not just that we need to know; HMRC needs to be in a position to challenge those values because it will be relevant to the tax. I think that it will be quite substantial. Until the market skills up and gears up for it, there will be a lot of demand. I am hearing from members that they are looking for valuers and finding that resource is challenging.

Leontia Doran: That is reflected in feedback from two of the professional valuer bodies in the UK. They have been advising their members on what actions need to be taken and about the robustness that will be needed for valuations, and the concern is that there simply will not be enough professionals able to provide these values in the time

¹ The witness subsequently clarified that this means that the spouse can't make a lifetime gift with the benefit of BPR in their own right until they have held the property for two years. If the recipient spouse was to die within two years, they should still get 100% BPR by virtue of the successive transfer rules.

and space needed, six months from the end of the month of death. On a strict basis, a death on 6 April 2026 will mean 6 October 2026 is when your first return will be due and your tax will be due for payment. This time next year we will know exactly how it has played out.

Emma Chamberlain: Practically, I believe HMRC will probably be interested in AI for property valuations and developing that. It will have to, just to deal with the position. I would suggest having a transparent process and bringing in professionals to get to a reasonable prospect of agreeing valuations, because they can take two or three years.

The Chair: To do a valuation?

Emma Chamberlain: To agree it, yes.

Lord Pitkeathley of Camden Town: Not if we use AI. Is that what you are suggesting?

Emma Chamberlain: No, but at least you can get beyond the first point, because quite often you are waiting a long time to get valuations back. We could at least get started on the process, as obviously the Revenue will have to value far more than it has ever had to in the past.

Katherine Ford: The problem with delays in agreeing valuations is that you still have 8% late payment interest running in the background. The longer that valuations take to agree, the worse it is for the estate. Then, when the pensions come into charge as well, who will pay this interest, because the values have not been agreed? It will make it unworkable and I do wonder whether late payment interest receipts will go up.

The Chair: Is not valuation much more complicated for businesses than for farms? I see in my local paper in Cumberland sales of farms being advertised all the time. Surely there is a great profession of valuers who do this. Are you saying that there are not enough of them and that they would not be able to cope?

Helen Thornley: It is more about having the relevant skills. I come from Penrith in Cumbria, so not too far, and in my days in practice I am used to dealing with groups of valuers who go out. However, they do not necessarily all have the valuation skills. Valuing land is one thing but valuing all the cattle, the livestock and the farm equipment is a different skill. Company valuations tend to be more of a desktop-based exercise. For farm valuations, you physically go out and walk around the farm, looking for development value and lots of different elements. I am less experienced on company valuations; they are complicated in a different way because there are different ways to value it—on profits, assets, the nature of the business. There are different complexities on both sides.

The other issue to bear in mind with valuations is that we have these costs building up and they are not tax deductible, so we are not getting any inheritance tax relief or any tax relief for the cost of this exercise either.

- Q32 **Lord Leigh of Hurley:** Can I ask you about business valuations, because that is something I know quite a bit about? The beauty of BPR is that it has taken out all these tens of thousands, if not hundreds of thousands, of businesses from estates. Businesses can do the valuations fairly easily themselves because they all have an accountant or auditor who can submit a valuation. From your experience, how on earth is HMRC going to cope with this massive influx of businesses that need valuing? Will it recognise the impact on the value on the death of the shareholder?

Emma Chamberlain: There are certain rules about what you are allowed to take into account as a result of the death of a shareholder, which raise their own complexities. There are also some quite complicated rules about deduction of debt. BPR is not a particularly simple relief as it stands at the moment; it is quite a complicated relief and this is just another complexity.

The valuation of businesses depends a bit on the business. If it is an IT business that does not produce much profit but has a lot of capital future value, that is a business that people will start arguing about. Minority valuations are obviously another aspect. Can the Revenue cope with it? It will have to, because it has to do it. Perhaps a bigger question is whether it is worth all this hassle to raise what the Government estimate will be £500 million of tax. That is a separate question.

- Q33 **Lord Altrincham:** What challenges might personal representatives face in raising the cash to pay any inheritance tax due on qualifying assets such as a company, a trading business or a farm?

Helen Thornley: There is a range of issues. We are back to that chicken and egg situation where you need to raise the cash to pay the inheritance tax to get probate. There is some welcome mitigation in that most of these assets will qualify for instalments, so you are looking to raise only a tenth of it in the first six-month window and then you have to pay another nine instalments of the remaining amount. Farming people tend to talk about selling some land. The issue is that you do not want to break the farm up. The family business element is a challenge because there will not necessarily be a ready market and you are not looking to bring in external investments and other shareholders, so that will be quite challenging.

For companies, there is some mitigation because they can buy back their shares from a deceased shareholder and that gets a slightly more favourable tax treatment. You have this double layer of tax: you have to pay tax to get the money out of the company and then you are using that money to pay tax. Company buyback of shares is quite restricted; the company may not be in a position to do it and the other shareholders may not agree. Equally, if the company thinks that it will prepare for this by building up a war chest ready to buy back the shares of, say, one of the more elderly shareholders, that becomes an accepted asset within the company, which does not qualify for business property relief. There is a whole range of different issues about raising the cash which will be quite challenging.

Katherine Ford: In the response that the ICAEW submitted for the January consultation, we looked at a hypothetical situation where you have a £10 million trading company and a £2 million inheritance tax liability, assuming the £1 million has gone somewhere else. We worked out that you would need to dispose of assets within the company of £4.5 million, on which you would then have a capital gain and there would be corporation tax due on it first. You would then have to pay a dividend out to the estate, which is then taxable income for the estate. To end up with net £2 million to pay the inheritance tax, you would have to take £4.5 million out of a company worth, say, £10 million. These are companies not sitting on that amount of cash and they will have to sell their trading premises. You are looking at saving money on staff costs and where this money will come from. The funds are not sitting there in cash; they are tied up in assets and anything you do will trigger double tax charges.

Lord Altrincham: Is it your view that this will affect the ongoing operation of the businesses concerned?

Emma Chamberlain: It will depend where you are in the lifecycle. If you are a young person, you might be able to take out life cover, for example, to provide the lump sum that will pay the inheritance tax quite cheaply, while if you are 80 you will not be able to get life cover. If you have to pay the inheritance tax out of dividends from the company, your effective rate goes up to about 34% rather than 20%. I think that they could make the share buyback easier; it is quite restrictive at the moment. Those conditions could be a bit easier and that would help estates.

Q34 **Baroness Bowles of Berkhamsted:** Would that be a provision for additional ways to do share buyback where there are a will and probate only, or do you think it should be a general rule for any buybacks?

Emma Chamberlain: No, I think it would be limited just to the buyback on death—in other words, the IHT that you have to fund on death.

Katherine Ford: The rules at the moment allow for a buyback of shares within two years of death, but one of the options that has been suggested is for instalments to be paid over 10 years. That does not work. There is a mismatch there as you only have two years.

Emma Chamberlain: As soon as you buy back, you have to pay the inheritance tax. You also have to get rid of all the shares and there are various conditions attached, which makes it more difficult.

Helen Thornley: The company has to be in the position of having that lump sum of cash. If we could align the share buyback with the 10-yearly instalments, that might make it easier for the company to raise the money and make fewer other shareholders object to the process of spreading it out.

Emma Chamberlain: At the moment you are not allowed multiple completions on buybacks, which makes it quite difficult to raise the money to get this IHT paid.

Q35 Baroness Bowles of Berkhamsted: Thank you. The question I was supposed to be asking, and I know the answer already, is whether farmers and business owners are prepared for these changes. They are madly trying to prepare and the answer is obviously no. Many farmers and business owners will want to revisit existing succession plans because of these changes. How straightforward will that be within the timeframe they have to do it in, especially for older taxpayers? Presumably they are trying to get a handle on valuations and so forth before they are needed, but the lack of experts comes into play again.

Leontia Doran: It is not easy at all. The advisers that would be involved include your estate planning, valuers and a range of specialists that need to be involved in that conversation who do not necessarily work in the same firm, so there are lots of conversations between different businesses. You also have the complication of older people who may not have the mental capacity to make decisions and unfortunately will not be able to do so in time when their estates are facing an unexpected IHT bill.

Emma Chamberlain: If you have an 80 year-old farmer who is not married, whose wife has died, who has been reckoning on getting IHT business property relief at 100% and who has not made any lifetime gifts because he did not see the need for it, he is in quite a bad state. I am not saying you can never change inheritance tax—that would be ridiculous—but it is perhaps worth thinking about a transitional relief for people who are elderly and are not going to survive seven years when they make gifts. They are caught in this position where they cannot use the reliefs that the Government are saying are available, such as £1 million per spouse and so on.

Baroness Bowles of Berkhamsted: Should there be a phase-in instead of it being a cliff edge? Is that a possibility?

Helen Thornley: If the sole goal of this is to raise more inheritance tax and to raise tax as a collection, then the cliff edge is effective. If you want to encourage succession—businesses do need to be passed on and succession is better and more effective in life—then having a longer period for people to let succession happen would help us preserve more businesses. One of the things we have asked for is whether it would be possible to at least have the old rules up until 6 April 2026. At the moment, if you make a lifetime gift before 6 April 2026 and you die within seven years, you will be subject to this £1 million allowance and it would be quite nice if the transitional rules would allow people to make gifts with unlimited APR and BPR up until the start of the next financial year. That might give people a little more time. However, it is all very challenging because we are hearing from members that people are waiting out for a change in government. Some people are looking to hold on to things and see if they can circumnavigate rules in that way.

Leontia Doran: There is precedent already on the retrospective point that Helen has made. When the geographical scope of APR was changed in April 2024 to just the UK, there was a clause in that Finance Bill that would have affected gifts prior to 6 April 2024. We lobbied the Treasury

on this point and that clause was subsequently dropped, so that it took effect for lifetime gifts only on or after 6 April 2024. We would support the retrospective nature of the current legislation to remove it and apply it to lifetime gifts only from 6 April 2026, both from a fairness perspective and particularly for that older generation who will simply not be able to make the lifetime gifts and may not have the capacity either.

Baroness Bowles of Berkhamsted: I am curious about what you said about whether this is for tax raising or business succession. At the moment, it looks like it is for business killing, hopefully raising tax and then not getting any tax in future years because you have killed the business. Have we had any assessments of the overall effect—in the 10 years after you have killed the business, have you made a profit on your inheritance tax or have you lost out on your corporation tax and income tax?

Helen Thornley: I am not aware that there is anything in the tax impact note. I mention it because one of the justifications for APR and BPR has always been that position of succession. I think we will probably come to it later when we look at the consultation issues. It is a shame because, if we had been able to consult more widely before the policy was announced, we could have asked what we wanted BPR and APR to do and whether we want to encourage succession because it would be beneficial for businesses in the longer term, as well as raising tax. We could have perhaps looked at the incentives in a different way, rather than just saying, “This is what we are going to do”, and then consulting on the technical detail of it.

Baroness Bowles of Berkhamsted: I think I get that for businesses. I really do not for farming, when most farmers are desperate to find somebody to succeed them and their children do not want to.

Q36 **Lord Leigh of Hurley:** Have you seen any evidence from your client practice of this affecting behaviour? That is, because people cannot get APR and BPR in their pension, are they moving assets out of their pension into their personal hands to get the APR and BPR? Do you see that happening over time? Are we altering behaviour?

Katherine Ford: It is definitely being looked at. Typically, pension funds may hold the trading premises of the sponsoring company, so we are aware that pension funds are looking to get those assets out of the pension into some other form of ownership and looking at where they can maximise their reliefs.

Lord Leigh of Hurley: But this is affecting behaviour as we speak?

Katherine Ford: Yes, I think it is probably at the fairly early stages at the moment.

Emma Chamberlain: A lot of people see their business as their pension of course and that is what they are looking for, in some cases anyway.

Lord Leigh of Hurley: They may have put them in their pension for that

reason.

Emma Chamberlain: They may have done. I think the BPR and APR prohibition in pensions is to do with certain avoidance schemes—which, to be fair, are probably going on. It is difficult to say that you must have 100% relief on all businesses and farms, because some businesses will be able to afford to pay the tax and I think people do not see it as fair that you can pass on an entire business of £1 billion in value, say, with no tax. I think that is behind the change in policy. It is surprisingly complex for quite small businesses, so once again we have a change in policy that probably adversely affects the small and medium-sized businesses much more than the larger businesses. That is one of the problems. The way the trust £1 million is allocated and the way the £1 million is allocated in will drafting is all very complicated. If we just had longer, say until 2027, that might have been a better route with a transferable relief of £1 million. I am still puzzled as to why the Government are so resistant to that, because it would save an awful lot of planning problems, and then maybe some relief for the older farmers, who have quite a sympathetic audience.

Leontia Doran: On the transitional point, there is also precedent from April this year in terms of the move from the non-dom regime to the new long-term resident route, where previous remittance basis users can benefit from the three-year transitional repatriation facility that allows them to pay a tax at a lower rate for three years. That is treating those taxpayers preferentially in this respect, so I do not see why that could not be implemented for these changes from April 2026.

Emma Chamberlain: That is a very good point and, actually, it goes further than that. The non-doms have a complete exemption from inheritance tax on their trust provided they were non-dom at October 2024, so even if they are now a long-term resident they are not going to be subject to IHT on their death. That is a very specific transitional relief for non-doms that has not been applied to people over 80.

Q37 **Baroness Fairhead:** I think it is quite a major change. Farmers in particular have been encouraged to hold on to their farms until death; that has been the advice. On the basis that this will be taken forward, and given that some are aware and some are not fully aware, what further information, advice, guidance and help do you think HMRC could give to help both farmers and small business owners? Apart from giving full employment to valuers for the foreseeable future, what else could HMRC actively do to help this process?

Katherine Ford: We know that the farmers have had a lot of publicity and there is much more awareness among farmers, but among business owners it is worryingly low. BPR claims are historically about double the value of APR claims. You have a swathe of business owners who probably do not realise what has happened because all the publicity has been about the farmers. Historically inheritance tax was dealt with by solicitors, so there even will be accountants who probably have not done

much inheritance tax work. I think there is an education exercise there for both accountants and business owners that HMRC could do.

HMRC offers a non-statutory clearance route for different transactions. It is very limited in its scope for APR and BPR at the moment. I think there would be scope to extend that service, subject to HMRC having the resources, where you could get clearance around whether a business was eligible for business property relief.

Emma Chamberlain: Maybe you could have better guidance and clear examples. There are some complexities in the legislation that could be sorted out without losing revenue. This £1 million trust allowance is very complicated in the way it is allocated; I think I gave some examples in the submission of the chartered institute. In a will, why can you not allocate your £1 million allowance to one beneficiary? Why does it have to be pro rata across several beneficiaries? Those sorts of things would make life a bit easier for people.

Q38 The Chair: Do you think it is possible to be more flexible without losing revenue, from the Government's point of view?

Emma Chamberlain: The revenue cannot be the reason behind this, at £500 million and a lot of extra hassle for the Revenue. On that basis, just making it a bit easier for people to operate the relief is clearly sensible.

Helen Thornley: On a much simpler point, the example that most people have seen is the £3 million, which we discussed earlier. There are some slightly more complex examples, including particularly the interaction with the residential nil-rate band and the impact that can have because this £1 million, as Emma says, is pro rata. It is not something that you have control over. The misunderstanding that I have seen, having gone out to lecture on this, is that a lot of people have heard that once you have exceeded the £1 million it is an effective 20% rate of tax. I think what they have heard in their heads is, "Oh, right, it is £1 million and then it is 20% of tax" and it is not. It is an effective rate and the maths does not work if you just assume it is a 20% rate. I think just getting some really nice, clear examples out there for people would help. I think people are aware, but perhaps it has not fully dawned on them what the impact will be. IHT is one of those taxes where there is an ostrich head-in-sand approach to things and people do not like to think about it.

Leontia Doran: That is where what the Government have been saying has been made too simplistic, particularly around the use of the £3 million limit and so on and, as Helen said, the overall effect of raising only 20% over £1 million, when in reality it is only an effective rate. I think people's understanding of that is quite limited, particularly business owners.

Q39 The Chair: With the contrast between what the Government say about the impact of these things, which is that it will affect only a few wealthy types, and the mass protests that I have witnessed in Cumberland, I just

do not understand what is going on and who is in the right. Is the National Farmers' Union whipping people up in an unreasonable way? I just do not know. I have no sense of it at all.

Leontia Doran: The truth is probably somewhere in the middle of the extremes of the Government's view of 27% and the National Farmers' Union's view of 75%. I have looked at some data from the Department of Agriculture, Environment and Rural Affairs in Northern Ireland and its stats are based on £21,000 per acre and roughly 20 hectares. It is saying that about 49% of farms in NI would be affected, which is 80% of farmland. The truth is probably somewhere in the middle.

Lord Altrincham: To follow the Chair's question, is the cliff edge the most provocative part of it? If you had to put in order why this is so enraging, is it the cliff edge first?

Helen Thornley: Probably it is the cliff edge for the older farmers. I used to advise a lot of farmers and the classic advice was always just to hold on until death. People like doing that. When you have built up a business, you want to hold on to it. The numbers that HMRC has presented say that each year X number of people—say, 500 people—will be affected but really this is a generational tax affecting every business that is worth over £1 million. It needs to be thought of in that context. Thinking about it affecting a small number of people every year is not really fair. That is why we get these big figures and small figures and the truth is something in the middle. It is just the context of how you look at the problem.

As for the order of the challenge, for older people it is the cliff edge and perhaps the younger people protesting have not realised that there is time to do gifting, but there will be resistance from older generations for gifting because there is always concern about things such as, "Do we feel comfortable with our child's spouse? Do we think their marriage is secure?" It just takes one divorce in a farming or family business for everyone in the local area to go, "Well, we are now nervous of passing assets on". It is those family issues.

Lord Altrincham: The cliff edge is particularly provocative.

Emma Chamberlain: I think that is a particular issue and it is complex in the way it is drafted to work. I think it could be easier.

Q40 **The Chair:** Tell us what you think about the Government's consultation process.

Katherine Ford: We have already touched on the point that the APR and BPR consultation in January had a very narrow scope. It was worded specifically towards trusts, but it does of course affect all farms and businesses over £1 million. In our engagement with HMRC we were advised as professional bodies that, if we had any responses that did not relate to trusts, to put them into question 1, which we did. The ICAEW's response covered more than five pages. In contrast, the Government's summary of responses from 122 respondents had three paragraphs relating to question 1. The only concession that we have had, based on

all the recommendations and suggestions made across the bodies, was that the £1 million allowance would be uplifted for inflation from 2030 and another small concession in relation to Scottish leases. That is all that we have at the moment. While it is a political decision, the £1 million—particularly when it is not transferable—does not go very far when you look at average farm values. You only need a farm of, say, 100 acres and you are hitting the £1 million. Most farms need BPR as well on things such as their machinery and livestock, so £1 million sounds like a lot to the man in the street but for a viable business it does not cover very much.

Leontia Doran: I think you have to remember that it does sound like a lot to the ordinary person, but that business has been built up over many years, sometimes 20 or 30, when you think about the value.

Emma Chamberlain: The transferable allowance is slightly puzzling and we have had no clear answer as to why that cannot be transferred. You can transfer your nil-rate band and your residential nil-rate band, but for some reason you are not allowed to transfer your £1 million. When we had the introduction of the transferable residential nil-rate band and nil-rate band, it could help you even if your spouse had died in certain circumstances. That would go some way to help these elderly farmers.

It is a very odd policy. I do not blame the Revenue at all for this. If the policy is going to raise only £500 million and people can take action to stop it anyway, which I think was what one of the Ministers said, and it is not going to be an issue because you can do lifetime planning, what is the point of the policy? Why not just leave people alone? If it is to affect only very large businesses or people who do not work on farms, then limit the policy to that. At the moment, there is a certain incomprehensibility about the policy which makes people feel quite cross and there is a huge amount of wasted time. They are all coming in and mucking around with their wills and lifetime planning and it is not very productive time. We have a problem with growth in this country, so on a bigger picture I would counsel looking at the policy, but that is not the Revenue's job and or your brief either.

Q41 **Lord Leigh of Hurley:** Let us focus on businesses a bit, because we have talked a lot about farms. The Revenue has said that only a small number of estates will be affected. I cannot understand how it can say that. I know you are not economists, but I would be interested in your views. In my opinion, tens of thousands of businesses are going to be affected by this.

Emma Chamberlain: I am very surprised. I act for some very big private businesses that would be affected. I suspect a lot of those will just be going into full throttle on lots of lifetime planning now. There is always the King Lear problem, but that is where they will end up. It is just an odd policy to say that it will not matter because you can get around it.

Lord Leigh of Hurley: But that is not true. Do others have similar

views?

Katherine Ford: Yes, I agree. You cannot get round it if you do not have legal capacity to change your will or to make lifetime gifts.

Emma Chamberlain: Or if you are too old.

Katherine Ford: Or if you are too old and are not going to survive seven years. The way that the £1 million is allocated means it will be allocated to earliest gifts first, and then you lose the benefit of what is called taper relief. At the moment the tax is tapered, but the value is not tapered. That goes back to Emma's point about needing the £1 million and some flexibility in how it is allocated.

Leontia Doran: Even if you have the time to make the arrangements and look at the structure to see what planning can be done, the question then comes down to: can you get the valuations that you need, do you have access to professional advice, are there enough advisers in the market? If you look at it in the round, it makes this very complicated, complex and tricky and costly.

Helen Thornley: It comes back to that succession point. You are right that it is back to the number of estates and just purely who has died in that year. I would advise a lot of clients, day in and day out, on planning. I might make physically an IHT400 with an APR or BPR client two or three times a year. That is partly where the imbalance is coming from. Everybody is affected. Then it is back to why we have BPR, which is ostensibly to allow for succession, but at the same time the position so far has always been to hold on until death, get your capital gains tax uplift and get your 100% relief. We have always encouraged people to hold on. Could we not have stepped back and said: "What do we want this relief to do and function as, and how does it sit within the economy as enabling businesses to function as well as providing a source of revenue and wealth redistribution?" It is a shame that the Government did not put that wider question out to consultation rather than the limited technical points.

Leontia Doran: If there are concerns that people are buying land simply to access the relief, there are other jurisdictions that use, for example, active farming tests to make sure that beneficiaries are actively farming the land. They also have to hold the land for a specific period. For example, in Ireland there are specific rules around that essentially requiring the beneficiary to have a farming qualification and to keep ownership for at least six years after they have received the gift.

Emma Chamberlain: In Germany, you do not get business property relief if you do not have a minimum number of employees. There are ways of achieving a policy that targets the businesses you want to. What you have highlighted—I think the same about big business—is that big private businesses are not really going to be affected by this. It is the same with the pensions; we are told that 75% of estates will not be affected at all. It comes back to the new tax policy-making principles of

the Government. It would be good to have more transparency about how we reach these conclusions. They are quite important conclusions that are now informing government policy and I think we all remain quite sceptical about that. The trouble is that, once it has been said in the Budget document, it is very difficult to drill down any further on it.

Q42 Lord Leigh of Hurley: Are you seeing evidence of the reverse—clients selling up and leaving the country as a direct result of this?

Emma Chamberlain: Certainly some are leaving the country, but that is probably more on the non-dom side. I think it is too early to say yet just how much that has influenced things.

Lord Altrincham: They do not need to sell up, do they? I cannot remember. I think they just leave.

Emma Chamberlain: They have to be out for 10 years to avoid inheritance tax.

Lord Altrincham: They are incentivised to leave and this is creating all manner of planning incentives.

Emma Chamberlain: They would have to re-site the assets. There would be quite a lot of stuff, so it would be a younger generation doing that.

Leontia Doran: If they stay in the UK, they are still caught up in it.

Lord Leigh of Hurley: That is why they would sell up, take the cash and just go to Monte Carlo and that sort of thing.

Q43 The Chair: Is there anything else that you wanted to say to us that we have not asked about?

Helen Thornley: Do you want us to comment on the wider tax policy-making principles? I presumed you were referring to the document on tax-making principles that came out in June or July, so I had a couple of comments on that if I may.

The Chair: Yes.

Helen Thornley: That was quite interesting. A number of the representative bodies were invited to meet the Exchequer Secretary to the Treasury at the time, James Murray MP, in February to comment on policy-making principles and then in June or July this document came out and I am not aware there was further engagement with the bodies on what the draft would look like.

There are lots of positive elements in it; it talks about moving faster and being more agile, rather than the somewhat turgid regular cycle of things. The problem is that they say they would like to consult more informally; that is great if you are the body selected to be consulted informally, but we do not know who has been selected and who is consulting. We are just a bit concerned that it could lead to a narrowing

of views and there are some elements of this more agile process that probably lack a bit of transparency. I feel we are losing some of the benefits of the more formal public consultation where everybody can come in, where you get that wider diversity of views and hopefully a better outcome.

Leontia Doran: For us, what is missing from the tax policy-making approach published in June is that there is no clarity on how regional needs are considered. You have four different countries in the UK. They are not homogenous in nature. They are all very different economically, socially, in terms of income levels and so on. I think that has been missing and, not surprisingly from the perspective of Northern Ireland, we have been very focused on it in quite a few of our recent submissions to consultations.

Emma Chamberlain: I was going to reiterate how evidence feeds into policy decisions. I think there is a gap in that; we do not always see the evidence. If we could see it better, it might lead to better policy. Also, this is a relatively minor change in the tax system. We know it is not going to raise that much money. The complexity it has generated both for the Revenue and for practitioners is quite startling and it shows that our tax system is quite dysfunctional and we perhaps need to stand back a bit on tax policy before we introduce yet another little change into the system. Maybe we should have just asked if there are better ways of allocating inheritance tax reliefs, because business property relief is not a very sensible relief as it stands. There are many dysfunctions about it.

Leontia Doran: I think this is just one issue. If you look at what agents have on their plates more generally, you have so many different initiatives starting next year. We have Making Tax Digital from April, we have mandatory tax adviser registration, pensions changes and IHT changes, so it is putting a lot of pressure on the tax agent community as well.

Q44 **Baroness Bowles of Berkhamsted:** Looked at in the round for the economy, do you think it would pass a value for money test?

Emma Chamberlain: Not as it stands, no.

Leontia Doran: I think there has been research published fairly recently which said that, potentially over the next so many years, there could be a net loss to the Exchequer when you take into account the economic ripple effect.

Baroness Bowles of Berkhamsted: Who did that analysis?

Leontia Doran: Family Business UK. I think we quoted it in our submission. You have the economic ripple effect and then the human cost needs to be considered.

The Chair: It is a bit beyond our remit to get into that.

Lord Altrincham: A great topic, just not for today.

Lord Leigh of Hurley: It is worth raising in the Chamber—and Lord Livermore will blame Brexit.

Helen Thornley: As a very practical point, I think Ian raised earlier that there is an IHT digitalisation programme so there is £52 million allocated to digitalise the system. At the moment we have two teams: the team digitalising all of IHT and the team working on the pensions, doing all of that work when we still have not formalised the policy. I am finding that a somewhat challenging timeline.

The Chair: We have got great value from you this afternoon and we owe you a debt of gratitude. Thank you very much for all your contributions. There is plenty to reflect on there and even some possible conclusions to come out of them.