



HOUSE OF LORDS

Economic Affairs Committee

Finance Bill Sub-Committee

Corrected oral evidence: Draft Finance Bill 2025–26

Monday 10 November 2025

4.05 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. 9

Heard in Public

Questions 85 - 90

Witness

[I](#): Dr Andy Summers, Director, Centre for the Analysis of Taxation (CenTax).

Examination of witness

Dr Andy Summers.

Q85 **The Chair:** Welcome to this session of the Finance Bill Sub-Committee, where we are looking at the Government's inheritance tax proposals. We have as our first witness Andy Summers from CenTax, and I am going to ask him to introduce himself.

Dr Andy Summers: Hello. Thank you for inviting me. I am an associate professor in the Law School at LSE and one of the directors of CenTax, the Centre for Analysis of Taxation, which is a research centre that exists to help improve public understanding of the tax system and help design a better tax system through rigorous research that is relevant to policy-making.

The Chair: Fine. One of the reasons we wanted to talk to you is that you have done modelling of these changes. The question really is: how consistent is your modelling with what the Government say the likely consequences are going to be? There are two particular points, one about IHT valuations in the past being done on book values and how this will change. There is also an argument that the Defra numbers are different to the Treasury's numbers and what difference that makes. If you could comment on that, I would be very grateful.

Dr Andy Summers: I should start by saying that we think that the Government's published statistics provide a reasonable estimate of the number of farm estates that would pay additional tax if there were no change in behaviour. If that is what you define by impact, then we think that modelling is broadly correct and we arrive at similar numbers to the Government. But what is important to emphasise is that a lot of the public debate reveals that that is not the only concept of impact that people are interested in. So in the report we tried to go beyond just that top-line statistic about the number of estates that would pay more tax, and try to answer those other questions like: which types of estates would be impacted by this reform? How much extra tax would they pay, because some of the estates included in those statistics would not pay a great deal of additional tax in absolute terms, but others would pay a lot or their tax bill would go up proportionally by a lot? Also, there was this really crucial question that has come out and been the focus of debate since the Budget: would farms in particular, or farm estates, be required to sell some of the farm assets and potentially therefore be broken up in order to pay the tax? It is not that the Government's numbers were wrong; it is just that they had not published any statistics on those additional questions. That was what we were getting into with our report, using the same data that the Government internally use to model those reforms.

You had sub-questions about book value. We looked at this in quite a lot of detail, and we wrote a whole appendix to the report to address this question of valuation directly. That was following conversations we had with the CAAV and other expert valuers in the industry to understand this

point about book values. Our conclusion is that, across the estates as a whole, there are some reasons why you might think that farm asset values would be underestimated, and other reasons why it might be overestimated. Across the whole population, we did not think that there was a strong case for adjusting those or for thinking that there was systematic bias. However, book values being taken instead of the market value, or being provided to HMRC instead of the market value, is a particular problem when you are thinking about the tenant farmers specifically because, of their total wealth, a larger share is those items of machinery and so on that face this book valuation issue. For that sub-population, we say that there is potentially a concern that the values that have historically been provided to HMRC when there was not any tax at stake would underestimate the true value of those assets. To the extent that that is true, it would be both underestimating the impact of the reform on those groups and underestimating the potential revenue that the Government will get from the reform. There is that side to the mismeasurement as well.

Your other question was about the Defra figures, which were the figures used primarily to contradict the Government's initial statistics following the Budget that resulted in numbers of potentially impacted farms that seemed much greater than the Government's statistics. We strongly think that the Defra Farm Business Survey statistics are not a suitable data source on which to model inheritance tax reforms. The reason for that is that they are collected as a survey at the farm level. To translate that into the impact on individual owners of farm assets, you have to build in some very strong assumptions about how the assets are split within the farm. Also, those surveys do not capture any information about the value of other assets that those individuals hold besides the farm assets.

The simple point is that if you are modelling the impact of a tax change, it is best to use the tax data. That was the right thing for the Government to do, and is also the data source that we use. That does not mean that the tax data can tell you every answer to every question that you might have, because there is a big problem generally in tax reform that if something is not being taxed currently, then generally it is not reported or not reliably reported to HMRC. That is what often makes it difficult to model changes to the tax system.

Q86 Lord Leigh of Hurley: The Government say that, particularly given the £1 million allowance, smaller farms will not be impacted. I think you have said somewhere that you do not agree with that. Can you comment on what I now understand to be the case: that the valuation is taken on the basis of the day before death, so it does not allow for the fact that the valuation could be impacted by the death?

Dr Andy Summers: Certainly. We said in the report, because people understandably want to hear a one-line summary of our view on this, that we think the reform would protect family farms to a large extent; but we also say under the hood that it does really depend on what you mean by "protect" and what you mean by a "family farm". This idea of protecting farms does not, I think, in the Government's own perspective,

mean that they will not have to pay any additional tax as a result of the reform. It means—more narrowly than that—that farms will not need to be broken up in order to pay the tax, because that was the original justification that was given by the Government for having agricultural property relief in the first place.

Will farms have to be broken up? We say: when you look at that, of approximately 500 estates each year that have some farm assets or other farm activity—which is, importantly, broader than the concept of a farm, because some of those “farm estates” will be people who own some farmland but are not what you would recognise as farmers because most of their wealth is in other assets and that may be a small share of their total wealth, but they are included in that 500—around eight out of 10 would be able to fully pay their inheritance tax bill out of non-farm, non-business assets. So, by construction, those individuals or those estates would not have to sell farm assets to pay the tax, because they could sell the other assets that are outside the farm business.

That does leave, however, about 70 estates per year—most of which are probably what you would recognise as “family farms”—that would not be able to pay the tax out of other assets. They would, therefore, be having to look to pay some of the bill out of the income that the farm is generating. For that core—around 70 estates per year—there is a potential issue with needing to sell assets in order to pay the tax, or at least to fund some of the tax out of the ongoing income of the farm business.

Lord Leigh of Hurley: I find that quite misleading, because what you are saying is that there is no impact because they have to sell other assets—but there is huge impact because they have to sell something that is possibly a family asset or a business or trading business. To say there is no impact is not particularly helpful in this discussion.

Dr Andy Summers: Yes. To be clear, we do not say that there is no impact for them. The Government’s objective that they set for themselves was to protect family farms. I am saying that there is an ambiguity. If “protect” means no extra tax should be payable, then clearly 100% of those farm estates that I have just talked about are impacted—they would pay extra tax. But we need to bear in mind that inheritance tax, as it applies to everybody who does not have an agricultural or a business property, does quite frequently require people to sell some of their assets in order to pay the tax. The main home may even have to be sold to pay the tax. That is a feature of inheritance tax, rather than a feature specifically of agricultural and business property relief. We definitely are not saying that there is no issue here. There are those 70 farm estates that would potentially have to sell farm assets, and there is a larger number that have to pay some additional tax.

Lord Altrincham: We have not heard this distinction in the committee before; what you are saying is very interesting. Does that mean that you think that, from the Government’s point of view, they were really seeking to go after the farms that were part of a wealthier family group, in a

sense? That may explain to some extent some of the policy confusion that has happened around all this, because it did not seem to be well crafted for the pure family farm that we often hear about. What you are describing is that, seen through the lens of the Government, they are looking at wider estates that have some farming in them.

Dr Andy Summers: This goes to the heart of what the Government's objectives were. Since the Budget they been reasonably clear that, rightly or wrongly, it was not an objective to prevent the use of agricultural and business property as a tax shelter. Lots of people out there might assume that that would be one of the Government's objectives—reducing tax avoidance using these types of property, or at least tax planning—and maybe lots of people would think that that should have been one of the Government's objectives. The Prime Minister came before the Liaison Committee and said something along the lines of, "What the wealthy do with their own money within the rules is a matter for them", and appeared to expressly disclaim the idea that any part of the objective of the reform was to reduce the use of agricultural and business property as a tax shelter.

If that were an important objective, the reform is not well targeted to achieve it, because we still have a £1 million allowance and 50% relief above that level, and that goes to the kinds of estate that you are referring to—a wealthy estate that has a small amount of farmland or of business assets still gets the £1 million allowance. They still get 50% above that, even though they could afford to pay the inheritance tax bill fully out of the other non-farm, non-business assets.

What we looked at in the report was an adjustment to that reform that would remove relief from those estates that have a relatively small share of farm and business property in the total estate, which would raise more revenue from those estates, and use that to increase the allowance for the estate that genuinely might face this issue of break-up. That was what we referred to as the minimum share rule, which has been taken up by members from lots of different parties since we published the report, and is, I believe, the favoured option of the NFU.

We were trying to come up with an option that better targets this issue of agricultural and business property being used as a tax shelter. That raises some revenue, and you can effectively, in a way that still raises more revenue overall, redirect some of that to increasing the allowance for farm estates and other active businesses—not just farm businesses—that would be able to pay the tax only by either paying it out of ongoing business income or out of the business assets.

The Chair: Baroness Bowles, I think that possibly answers your question anyway. See what you think.

Q87 **Baroness Bowles of Berkhamsted:** I will carry on with the question, and maybe we can explore it a bit further. My question was really whether you think that making the £1 million APR/BPR nil rate band non-transferable is an effective policy design. You have explained in part how

maybe it is not. Is there anything else you would like to add? How does that impact the administrative burdens for the taxpayer and HMRC? Taking into account the Government's policy objectives, how else could it be achieved? That is the part that you have answered. I am quite surprised that out of 500 only 70 are solo farms—real family farms or whatever we want to call them. I find that quite staggering. Can you give me an explanation of how that comes about?

Dr Andy Summers: Going to your last question, the reason is because if you start thinking of the 500, which is an approximation—I think the Government said 520, and we said 480, but it is around about there—as typical working farms, then of course it would be very surprising that only a small share of them face this potential problem of break-up. Actually, most of what we call farm estates—people who die with wealth that includes some farmland or other farm assets—are not what you would think of as working farms, because you can see from the relatively small share of farmland and farm assets in the total estate that most of the wealth comes from other sources. That is what makes it possible to pay the tax out of those other assets. Just directly on your point about the transfer—

Baroness Bowles of Berkhamsted: Hang on, does that mean that by the definition capturing more types of estates, it makes it look like it is only a minority that are affected but, if you take it as a sample of genuine working farms, almost all of them will be affected? Is that true?

Dr Andy Summers: It is certainly true to say that estates that have a high share of farm assets in them, which basically is working farms or whatever exact label you want to use, are overrepresented and disproportionately likely to be impacted compared with estates that have only a bit of farmland or other assets on the side. That is exactly what the minimum share rule option that we came up with in the report is intended to tackle. You raise more revenue from other estates that do not fit your standard definition of a working farm, and you use the additional revenue from them to increase the combined allowance, which then, by construction, takes at least small family farms out of impact altogether—out of paying any additional tax.

Just very briefly on transferability, the short answer that is we think that in the long run it is not a good policy design to keep the allowance non-transferable. In other words, it should be transferable. In the short run, doing that entails some revenue cost, especially if you backdate its application to where one spouse had already died before the reform, so you have to acknowledge that in the short run there would be a revenue cost to fixing this. That is why the Government said they did not want to do it.

Again, going back to the options that we presented in the report, if you are raising revenue elsewhere through other changes, you could, in effect, give some of that back to making the allowance transferable. That is something the Government could choose to do.

Q88 **Baroness Fairhead:** Some witnesses have questioned whether it is appropriate to measure the impact of those changes by references just to a single year. I would like to hear your views. Also, how straightforward and appropriate would it be to examine the impact over a longer period?

Dr Andy Summers: It is standard practice, when looking at the impact of tax policies normally, to measure those impacts over a year. Obviously, if you are doing this for income tax then income tax is an annual tax; that is the natural way to do it. We said in the report that there is a reasonable case to think about inheritance tax, which you can think of as a once-per-generation tax, over a generation. We would not say at all that that is the wrong thing to do. If you wanted to do that, the simplest, crudest way to do it would be to take those annual figures and multiply them by, say, 30. We said in the report that you could do that and it would not be a bad thing to do. We did not do it because it takes you further away from the original data and involves some additional assumptions about how people would plan over the next 30 years, about whether the policy would even be stable over that period, and so on. It is reasonable to think over a longer period. There is no ideal way of doing that, so I also do not think it was unreasonable for the Government to present annual figures, as we did.

Q89 **Lord Altrincham:** In 2024, CenTax highlighted that HMRC inheritance tax data had no information about pension wealth. Taking this into account, what reservations do you have about the accuracy of the Government's impact assessment of their pension reforms?

Dr Andy Summers: First, it is worth saying that, as of the Budget, there was no information in the public domain, as far as I am aware, from anything that the OBR, HMRC or the Treasury had published about where the data that was used to model the pension reform came from, full stop. That information was not in the EFO—the document that the OBR published. That is highly problematic, and this happens across quite a lot of Budget measures: the information published on Budget Day is not actually adequate to understand how the costing was produced. CenTax has said on the record many times that there should be more transparency and that more information should be published.

Actually, to the OBR's and HMRC's credit, a few months later they published some extra information about how the pensions costing was produced. On that basis, we know that the data source used was something called the Wealth and Assets Survey, which the Office for National Statistics produces. The reason for that is, going back to the earlier point, if you are not currently taxing something then HMRC is generally not collecting good-quality data on it. That makes it difficult to model reforms, so they have to use this survey instead of data that they have currently.

I am concerned about that, because the Wealth and Assets Survey has faced some quite well-publicised difficulties in the last few years. It recently lost its accreditation for official statistics on the basis that the data quality was not sufficiently reliable. That follows a lot of issues with

the funding of the survey and the amount of resource that government departments put into supporting the ONS to do the survey. It is a problem when that survey is used. In this case it was for pensions, but if the Government are thinking about changes to the taxation of lifetime gifts or any number of changes to the capital gains tax base, then the data source they will rely on is the Wealth and Assets Survey, which the ONS thinks is not a suitable data source for official statistics any more, but it will probably be the data source that is used for government modelling because there is nothing better. Of course, better still would be to fund the survey properly so that, when the Government make highly controversial changes to the tax system with a lot of revenue at stake, they actually have reliable data to use for that modelling.

Lord Altrincham: Could I take your answer one stage further? It is obviously not the best data, but has it in a sense corrupted the findings or the analysis that the Government were making even if the data was poor?

Dr Andy Summers: We cannot say that the analysis is wrong because nobody else is sitting on a better data source that says, "Well, actually, according to this the Government have got it wrong". The point is that, when the data quality is not great, the uncertainty about the estimate is high. So far as we know, it could go in either direction. It could raise more revenue or less revenue than expected, once we start to collect the data when the reform has actually happened. But I would emphasise that making policy under those conditions of uncertainty is not necessary or inevitable. It is only the inevitable consequence of persistently underfunding a very important survey.

Lord Leigh of Hurley: There must be a better way to do this. The survey goes out and asks people how much wealth they have got, so obviously it is going to be meaningless. Is there not a way of aggregating the returns of IHT every year that will tell the authorities how much wealth there is by definition as to forms properly done?

Dr Andy Summers: The difficulty is that, under the system we have had up until now, where pensions are not included in the inheritance tax base, historically that is not information that you need to provide on the inheritance tax return. I think HMRC also uses some data from the Financial Conduct Authority for a subset of pensions that are already in payment. That is one additional data source beyond the Wealth and Assets Survey, but it is not going to cover all pension pots. It is definitely not a comprehensive measure of the tax base.

It is a general problem that, when everyone talks about how the Government should be thinking about structural reforms to the tax system, that means making changes to the tax base. But if you do not collect the data on things that are not already taxed, how are you going to model changes to the tax base? This is a really serious issue that cuts across all tax policy design; in quite a lot of cases, the Government are flying blind or at least do not have the data that they would need to make the best decisions about important policy changes.

Q90 Lord Pitkeathley of Camden Town: In their new policy principles, the Government say they are actively looking to engage with the academic community as they develop tax policy. What do you see as the benefits of this? Could there be any drawbacks?

Dr Andy Summers: It is important for us, as CenTax uses the HMRC Datalab to access the data for our research, to distinguish the kind of engagement that we have through that Datalab process. As we were producing the inheritance tax report, we had quite a lot of meetings with HMRC and Treasury analysts about the research that we were doing. That was really productive and helpful engagement. There have been a lot of steps to improve the engagement through the HMRC Datalab process. People are doing really good work on that at the moment, which is starting to bear fruit.

Separately, I think the policy principles document was suggesting academic engagement on policy measures—as the Government are thinking about a measure, do they engage academics? Currently, that engagement is very minimal to almost non-existent. There is a lot of scope to engage academics more. We know from every other *Financial Times* article that every time a policy is floated, even during this acute Budget process, troops of people march into the Treasury from industry to talk to officials about their views. Never once have CenTax or, to my knowledge, other academics been part of those conversations. That is potentially problematic if you think that academics have the potential to provide objective, neutral, evidence-based views on topics on which you might want to hear that side of the argument as well as from others. I am not saying that those others should be excluded but, if they are talking to government, then it might be a good idea to talk to academics as well. Since the policy principles document was published in June, and since we are currently in a Budget process, I would suggest that we have not seen a huge change in approach on that recently.

Lord Pitkeathley of Camden Town: And no drawbacks that you can foresee.

Dr Andy Summers: There is clearly a point when you are doing lots of engagement where you might reach saturation. You might ask, “Is it the best use of civil servants’ time to talk to yet another academic?” But at a point at which you are doing virtually none of that engagement, there are many more benefits before you would get to those kind of drawbacks.

The Chair: Is there anything else that Members would like to ask? Dr Summers, is there anything you would like to say to us that you do not think we have covered?

Dr Andy Summers: No, your questions were clear.

The Chair: We are very grateful to you, in that case. We are briefly going to pause. Thank you very much for coming along.