HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Lord Liddle
Chair of the Economic Affairs
Finance Bill Sub-Committee
House of Lords
London
SW1A 0AA

27 March 2026

Dear Lord Liddle,

Government response to the House of Lords Economic Affairs Committee report ‘Inheritance tax measures: unused pension funds and agricultural and business property reliefs’

I am pleased to attach the Government’s response to the Sub-Committee’s report, *‘Inheritance tax measures: unused pension funds and agricultural and business property reliefs’* published on 28 January 2026. I appreciate the consideration which the Sub-Committee has given to these measures under its terms of reference to consider technical issues of tax administration, clarification and simplification.

In preparing this response, the Government has carefully considered the issues that the Sub-Committee has raised and has accepted 9 recommendations and partially accepted a further 31 recommendations.

The key issues in your report include the payment deadline for inheritance tax (IHT), guidance and awareness for those impacted by these reforms, and the need to monitor their impacts. I was grateful for the opportunity to discuss those issues with you when I gave evidence to the Sub-Committee on 8 December 2025.

I am pleased to say that the Government is already taking forward a number of actions which discharge the recommendations. For example, HMRC is updating forms and providing comprehensive guidance on the reforms to reliefs for agricultural and business property from 6 April 2026, including a new tool to help apportion the relief across different property. Similar detailed guidance, templates and tools are in progress for the reforms to IHT on pensions from 6 April 2027.

The Government keeps all tax policy under review. We have already engaged extensively with industry stakeholders on the implementation of these measures and will continue to do so.

The Government also welcomes the Sub-Committee's consideration of the tax policy making principles. The Government is confident the tax policy making principles set out the right balance between having meaningful engagement with stakeholders on significant policies and progressing tax policy in a timely manner. It also recognises the need for ongoing discussions with stakeholders about the effectiveness of the principles in practice and will continue to do so.

Yours sincerely,

D M Tomlinson

DAN TOMLINSON MP

EXCHEQUER SECRETARY TO THE TREASURY

House of Lords Finance Bill Sub-Committee: Inheritance tax measures: unused pension funds and agricultural and business property reliefs - Government Response

1. Introduction

The Government thanks the Sub-Committee for its inquiry and report published on 28 January 2026, and notes the Committee's conclusions and recommendations. The Committee examined two inheritance tax (IHT) reforms in the Finance (No.2) Bill 2025–26: bringing most unused pension funds and death benefits into scope of IHT from 6 April 2027, and reforming agricultural property relief (APR) and business property relief (BPR) from 6 April 2026. The Sub-Committee also reviewed the Government's updated Tax Policy Making Principles, published on 12 June 2025.

Inheritance tax

IHT is charged on the estate (the property, money and possessions) of someone who has died and on certain lifetime transfers, including gifts to others made in the 7 years before death. Tax is paid on the combined value of the estate and any chargeable lifetime gifts after the application of the relevant IHT thresholds (known as nil-rate bands), reliefs and exemptions. IHT charges also apply when assets are transferred into certain types of trusts, at 10-year anniversaries thereafter, and when assets exit the trust.

Pensions

At Autumn Budget 2024, the Government announced that unused pension funds and death benefits payable from a pension will form part of a person's estate for IHT purposes from 6 April 2027. This removes distortions resulting from changes that have been made to pensions tax policy over the last decade, which have led to pensions being openly used and marketed as a tax planning vehicle to transfer wealth, rather than as a way to fund retirement.

The Government will continue to incentivise pension savings for their intended purpose of funding retirement, with ongoing tax reliefs on both contributions into pensions and on the growth of funds held within a pension scheme. Pensions continue to benefit from very significant tax benefits, with gross Income Tax and National Insurance contributions relief costing £78.2 billion in 2023-24. It is therefore crucial to ensure that tax reliefs on pensions are being used for their intended purpose – to encourage saving for retirement and later life – rather than for passing on wealth free of IHT.

These reforms also remove inconsistencies in the IHT treatment of different types of pensions. Most UK registered pension schemes are discretionary, which means members are able to nominate who they would like to receive any death benefits, but the scheme trustees are not obliged to follow the member's wishes. Under existing rules, any unused pension funds and death benefits from discretionary schemes are not subject to IHT. However, there are some UK pension schemes, such as the NHS pension scheme, which are non-discretionary. Under existing rules, these are already subject to IHT. The reforms the Government is making remove these inconsistencies and provide equal treatment regardless of whether the scheme is discretionary or non-discretionary.

The Government has engaged extensively with pensions, tax and legal industry stakeholders on the implementation of this measure and has made changes in response to feedback. Following a technical consultation on the administration of the measure, the Government announced that personal representatives (PRs) rather than pension scheme administrators (PSAs) would become liable for reporting and paying any IHT due on pensions. At Budget 2025, the Government announced further changes to support PRs administering estates containing pensions, after listening carefully to representations from the tax and legal professions and the pensions industry. The Government will continue to engage with these groups in preparation for the changes coming into effect on 6 April 2027.

APR/BPR

At Autumn Budget 2024, the Government announced that it would reform agricultural property relief and business property relief from 6 April 2026.

The purpose of these reforms is to raise revenue to ensure the sustainability of the public finances and to fund public services, whilst continuing to support farms and businesses by targeting the reliefs to make them fairer.

Data published at Autumn Budget 2024 showed that a very small number of claimants benefit from a very significant amount of APR and BPR. It is not fair to maintain such significant relief for a very small number of claimants, when this money could better be used to fund our public services.

Following the reforms to the reliefs announced at Autumn Budget 2024, the Government has consulted with the farming community and family businesses about the reforms. Having carefully considered this feedback, the Government has gone further to protect more family farms and family-owned businesses, while maintaining the core principle that more valuable agricultural and business assets should make a contribution.

The Government announced at Budget 2025 that any unused allowance would be transferrable to a spouse or civil partner, and in December 2025 that the allowance for 100% rate of relief will be increased from £1 million to £2.5 million. This means a couple will now be able to pass on up to £5 million between them, on top of the existing allowances such as the nil rate band. Alongside this, all tax at the lower effective rate of up to 20% on APR/BPR assets over the allowance can be paid in 10 annual instalments, interest-free.

The increase to the allowance comes after listening carefully to feedback from the farming community and family businesses. The change means the Government is going further to protect more farms and businesses, while maintaining the core principle that more valuable agricultural and business assets should not receive unlimited relief. It also further reduces the number of estates forecast to pay more IHT and further reduces the liability for many of the remaining estates.

The reforms taking effect from 6 April 2026 get the balance right between supporting farms and businesses, fixing the public finances, and funding public services. Despite a tough fiscal context, the Government will maintain very significant levels of relief from IHT beyond what is available to others and compared to the position before 1992 when the rate of relief was a maximum of 50 per cent on all agricultural and business assets, including the first £2.5 million.

Tax Policy Making Framework

The updated tax policy making principles were published in June 2025 and underpin the Government's approach to tax policy making. They set out how the Government will balance delivering change quickly whilst making sure that we are engaging with external stakeholders to make sure that tax policy is rooted in strong evidence. These aim to provide:

- Predictability and stability: The single major fiscal event cycle will provide a predictable and stable framework for the delivery of tax changes.
- A smart and agile approach to consultation: The Government will engage stakeholders fully and flexibly when developing tax policy, prioritising dynamic and frequent engagement with tax professionals at both ministerial and official levels. Where formal consultation is required, it will be targeted and precise, only seeking information that is genuinely needed, and will last a proportionate amount of time.
- Transparency: The Government is committed to transparency and will make sure that its rationales for tax policy changes and assessments of policy impacts are clear.

Responses

In preparing this response, the Government has carefully considered the issues that the Sub-Committee has raised, and the recommendations it has made. The Government has accepted 9 recommendations and partially accepted a further 31 recommendations. This response groups similar recommendations together in a different order from which they were presented in the original report to provide cohesive explanations.

2. Pensions: Payment deadline and interest

(9) We recommend that HMRC monitor payment dates for IHT, comparing the position for those estates that include pension assets and those that do not, over any soft-landing period, to evaluate whether further easements are needed because of this measure. HMRC should publish details of its findings. **(Paragraph 174)**

The Government partially accepts this recommendation.

The Government keeps tax policy under review. This measure will be kept under review in the normal way through HMT and HMRC's existing engagement with representatives from the tax and pensions industry. We have carried out extensive stakeholder engagement as we have developed the process to deliver this policy and will continue to do so to ensure that the policy works as intended.

***(2) We recommend that the Government introduce a statutory safe harbour from late payment interest for PRs, where they can evidence that they took reasonable steps to try to meet those deadlines but that the reason for not meeting the deadline was outside their control*. (Paragraph 51)**

(3) *We recommend that the six-month IHT payment deadline be extended to 12 months for IHT on pension assets for a transitional period, so that PRs have a more realistic time frame in which to meet their IHT liability while PSAs update their processes*. (Paragraph 52)

(7) *The Government should temporarily extend the payment date for IHT on pensions assets to 12 months, to create transitional flexibility as PSAs adapt to the new processes*. (Paragraph 172)

***(8) The Government should implement a soft-landing period in which late payment interest and penalties will be suspended as the new rules bed in, for a minimum of two years*. (Paragraph 173)**

The Government does not accept these recommendations.

The Government does not intend to change the existing, longstanding deadlines which ensure tax is collected quickly and efficiently. IHT is due at the end of the sixth month after the date of death. After this point, late payment interest will begin to accrue on the outstanding tax.

The changes to the IHT treatment of pensions are consistent with the process which already exists for administering estates and paying any tax due. PRs are already responsible for administering the rest of the estate, including non-discretionary pension schemes which are already in scope of IHT.

The Government recognises the general difficulties that some PRs may face in paying the IHT due and already offers several payment options to help. This includes the direct payment scheme, which allows PRs to instruct banks and building societies to transfer funds from the deceased's bank or building society accounts, National Savings and Investments, or other investments, before probate is granted. For those estates where there are insufficient liquid funds in the estate or owned by beneficiaries, they may also be able to apply to postpone the initial payment to obtain a grant on credit, or discuss options with HMRC.

For pensions specifically, PRs can also direct PSAs to pay the IHT due to HMRC before releasing the rest of those benefits to pension beneficiaries. The Government will also introduce regulations setting out deadlines for PSAs to provide PRs with information, to ensure the process of calculating, reporting and paying IHT does not take longer than necessary.

Whilst interest may be due, there are no penalties for late payment of IHT. There are penalties for failing to deliver an account, but these are not charged if PRs have a reasonable excuse for the delay. The time limit for delivering an account is 12 months from the end of the month in which the death occurs or, if later, 3 months from the date when the PRs first acted in that capacity.

3. Pensions: Information sharing

***(19) We recommend that HMRC work with pension sector representatives to provide pro forma letters and other documents that PRs can use to request information from PSAs.* (Paragraph 47)**

The Government accepts this recommendation.

The Government will publish, consult on and lay regulations later this year which set out the legal framework for PRs and PSAs to exchange all the necessary information for IHT purposes promptly. This will include obligatory timescales for PSAs to respond to requests for information from PRs.

Guidance and other supporting materials will also be updated and published in the normal way in time for April 2027. This will include details on what evidence PSAs should request from PRs, and a template which PSAs can use. HMRC will also provide interactive tools to support PRs, which will be available for April 2027.

***(18) We recommend that the information sharing regulations include a verification process for confirming the identity of PRs, given the importance of the PSA sharing information before probate is granted.* (Paragraph 46)**

(21) *We recommend that HMRC work with PSAs to adopt uniform procedures, to ensure they respond quickly to information requests from PRs.* (Paragraph 50)

The Government partially accepts these recommendations.

The Government will set out detail of the evidence that PSAs should request from PRs in order to verify them. This will be set out in guidance, rather than regulations.

Pensions schemes will need to integrate the new framework and guidance into their own processes. HMRC will continue to engage with PSAs as they adopt these new procedures.

4. Pensions: Valuation

***(24) We recommend that for assets where it will be impracticable to obtain a valuation within the relevant period, the Government allow an approximate value to be initially provided with formal valuation, and any amendments to IHT accounts provided later.* (Paragraph 58)**

The Government accepts this recommendation.

HMRC already allows PRs to use estimated values if they are unable to find out the exact value of any item in the estate, with a further account to be provided as soon as its value is ascertained. HMRC provides guidance on how to value assets for IHT purposes, and this will be updated in time for 6 April 2027 to include pension assets.

***(23) We recommend that the Government revisit the four-week timeline for provision of valuation information by PSAs to PRs, particularly in relation to illiquid assets held within a scheme. A longer, more realistic timescale is needed*. (Paragraph 57)**

The Government does not accept this recommendation

Pension schemes which hold illiquid assets typically value those assets on a regular basis. However, the Government acknowledges the difficulties for pension schemes of valuing illiquid assets at pace. The Government also accepts that the process needs to strike a fair balance between PSAs and PRs, who will be liable for reporting and paying any tax due.

As set out above, as with any assets, estimates can be provided initially if pension schemes are unable to provide an exact value.

5. Pensions: Implementation

(27) *The Government should not prioritise an April 2027 start date over getting the policy and the processes right. It is important that it takes the time now to find a workable process for managing the IHT process for pensions rather than rush to a solution that falls short of what is needed.* (Paragraph 184)

The Government partially accepts this recommendation.

The policy will be implemented from April 2027. The Government has already undertaken significant work and is committed to getting the processes right in advance of April 2027.

6. Pensions Dashboard

***(31) The Government should ensure that, as matter of priority, steps are taken to show all of an individual's pension schemes in the Pensions Dashboard, including those in drawdown*. (Paragraph 68)**

***(30) The Government should ensure that the Pensions Dashboard is live before April 2027, and that its functionality allows PRs to access it to find out about a deceased person's pensions arrangements.* (Paragraph 67)**

The Government does not accept these recommendations.

Pensions dashboards will allow people to view their pensions picture, including State Pension, securely and in one place online. This will help reunite people with their lost pension pots and promote better engagement – empowering individuals to better prepare for retirement.

The key policy objectives for pensions dashboards are to reconnect individuals with lost pots and increase engagement to support retirement planning. In line with their objectives, dashboards will focus on providing information on pensions not yet in drawdown, as we would expect individuals to be aware of pensions already in drawdown.

Good progress is being made in the development of pensions dashboards. Around three quarters of records in scope are now connected, as well as the State Pension. However, it is important that pensions dashboards are only launched when they are safe, secure and have been properly user tested. Low volume user testing of the MoneyHelper Pensions Dashboard began last year, and this will ramp up progressively over the course of 2026. Once the service is safe, secure, operationally reliable and thoroughly user tested, the Secretary of State for Work and Pensions will provide 6 months' notice ahead of launching dashboards to the public.

The Government is resolute in its determination to protect pension scheme members from the financial harm caused by scammers. To support this, in its initial iteration, pensions dashboards will only allow active, deferred or pension credit members to carry out a search on pensions dashboards for their own pensions, and individuals must themselves pass the identity verification process. PRs and third parties will therefore not be able to access pensions dashboards to conduct searches on behalf of others in the initial iteration.

PRs will need to identify the deceased's pension schemes and, as with identifying other assets, they can do this by examining the deceased's paperwork and asking friends, family and any solicitor or accountant they had. The Government will publish further guidance setting out the steps PRs are expected to take to locate an individual's pensions.

7. Pensions: Tell us Once

(13) We recommend that the Government works with pension sector representatives on how to adapt the existing Tell Us Once service so that it can be accessed by PSAs, so that PRs do not need to notify individual pension schemes separately after a member's death. **(Paragraph 31)**

The Government does not accept this recommendation.

Tell Us Once (TUO) is a UK Government service to report a death to multiple Government departments and local authorities in one go. This service reduces the administrative burden for PRs and is available where the person who has died was living in England, Wales or Scotland.

TUO already informs a range of Public Sector Pension schemes as part of its offering, spanning 4 national and 97 local government pension schemes. However, the existing technical infrastructure cannot currently facilitate the expansion of this service to private sector organisations.

8. Pensions: Payment and liability – Personal Representatives

(38) The Government must work with relevant stakeholders to consider whether further changes are needed to its proposed PR-led process to ensure that PRs have realistic options available to them to manage liquidity challenges. **(Paragraph 123)**

(43) In addition to the changes announced at Budget 2025, the Government needs to be open to considering further changes to the PR-led process to help protect PRs from personal liability as a result of matters outside their control. **(Paragraph 198)**

The Government partially accepts these recommendations

The Government has engaged extensively with representatives from tax, legal and pensions organisations since these changes were announced, and will continue to do so. The changes which have already been made to the process have been informed by feedback from these groups.

The changes announced at Budget 2025 will aid PRs administering estates containing pensions by providing them with the ability to direct PSAs to withhold taxable pension benefits for up to 15 months from the date of death and to direct PSAs to make payments of IHT directly to HMRC.

The changes also discharge PRs from liability for newly discovered pension pots after they have received clearance from HMRC.

HMRC will continue to engage as normal with external stakeholders ahead of April 2027 and following the introduction of these changes to ensure they operate as intended.

9. Pensions: Payment and liability - Pension Scheme Administrators

(50) ***In the light of the concerns we heard, we recommend that the Government again revisit the 35-day timeline for payment instructions under the DPS in relation to illiquid assets held within a scheme.*** **(Paragraph 151)**

(53) We recommend that the Government work with PSAs on an ongoing basis to understand whether they are being required to sell assets at a loss in order to meet IHT deadlines, with a view to considering a possible loss-in-sale relief for both land and qualifying investments held in an individual's pension scheme, as it is where such assets are held directly**. (Paragraph 156)**

The Government does not accept these recommendations.

The process on payment instructions under the direct payment scheme needs to strike a fair balance between pension schemes, and PRs who are liable for reporting and paying any tax due.

Illiquid assets held in pension schemes already need to be liquidated to provide members with an income in retirement or their beneficiaries with death benefits. If liquidating the asset is not desirable, there are several ways to pay the IHT due on the pension component of an estate. For example, pension beneficiaries can choose to pay the IHT due from non-pension funds.

However, the Government listened to concerns from PSAs and has already extended the timeline for payment from the three-week timeline provided in the initial draft legislation published at Legislation Day in July 2025, to 35 days.

HMRC will continue to engage with external stakeholders in the normal way following the introduction of these changes to ensure they operate as intended.

10. Pensions guidance and stakeholder engagement

***(28) Stakeholders must be given an appropriate and reasonable period of time to review and comment on draft information-sharing regulations and related guidance. The Government should set out a timetable for next steps in finalising the processes, so that PSAs have a roadmap to guide their planning for getting ready for the change.* (Paragraph 185)**

The Government accepts this recommendation

The Government will publish regulations in Spring 2026 that provide the right framework to allow PRs and pension schemes to exchange all the necessary information for IHT purposes. Stakeholders will be invited to comment on the regulations and given an appropriate and reasonable period of time to review.

The Government's indicative timetable for next steps is as follows:

- Spring 2026: publish a list of clarifications to common questions that have been raised by industry via HMRC newsletters
- Spring 2026: publish draft regulations on information sharing requirements for technical consultation
- Spring/Summer 2026: make and lay the regulations on information sharing requirements with a commencement date of 6 April 2027
- Spring/Summer/Autumn 2026: continue process design and develop guidance and other support tools
- Autumn/Winter 2026/2027: share draft guidance with industry stakeholders
- Winter/Spring 2026/2027: communications activity to publicise upcoming changes to impacted groups
- Spring 2027: publish guidance and other supporting materials

***(33) HMRC should clarify by Spring 2026 what steps a PR needs to have taken for HMRC to be satisfied that they have made "every effort" to identify pension funds.* (Paragraph 74)**

The Government accepts this recommendation

This clarification will be included in the newsletters mentioned in the preceding paragraph, to be published in Spring 2026.

(77) We recommend that, in 2026, the Government launch a communications campaign to inform people about the change in the IHT treatment of pensions with links to possible source of further information to help individuals make informed decisions about their future arrangements. **(Paragraph 91)**

(78) We recommend that, as part of that wider campaign, HMRC work with the pension sector to put together a simple leaflet on the change to the IHT treatment of pensions, which can be sent by PSAs to their members. **(Paragraph 92)**

The Government partially accepts these recommendations

The Government will deliver communications activity in the lead up to April 2027 to inform impacted audiences about the change to the IHT treatment of pensions and what actions they need to take as a result. This will include, where appropriate, working with the pensions industry to develop accessible communications that can be sent to their members. This aligns with the Government's approach to communicating tax changes more broadly.

(47) We recommend that, no later than April 2026, HMRC publish guidance on how the DPS and retention mechanism are intended to work. This guidance should be in a form that can be used by PSAs in their communications with pension beneficiaries. **(Paragraph 143)**

(68) HMRC needs to continue to work with the relevant stakeholders, particularly legal and tax bodies, to understand and mitigate their concerns about the risks facing professional PRs. **(Paragraph 197)**

(80) ***HMRC needs to publish, no later than December 2026, step-by-step guidance for PRs to explain what they need to do if the estate that they are administering includes a pension scheme. The guidance should be written in straightforward language and be readily comprehensible to a lay PR. It should be integrated with existing sources of guidance such as that provided by the Money and Pensions Service.*** **(Paragraph 98)**

(96) ***The Government should publish a document that sets out, for each type of scheme, the different type of benefit available to be paid to beneficiaries after a member's death and how they will be treated for IHT purposes.*** **(Paragraph 78)**

The Government partially accepts these recommendations

The Government will publish technical guidance in time for April 2027 and share this guidance within industry ahead of publication with an appropriate and reasonable period of time to review and comment. Alongside this, the existing public facing guidance will be updated to support next of kin and lay PRs.

The Government has engaged extensively with representatives from tax, legal and pensions organisations since these changes were announced, and will continue to do so.

The changes which have already been made to the process have been informed by feedback from these groups.

11. Pensions: Monitoring

***(114) HMRC must work with PSAs to assess the costs that will be incurred in preparing for this measure. It should publish a realistic estimate of these costs for PSAs alone.* (Paragraph 188)**

The Government does not accept this recommendation.

The Government set out estimates of one-off and ongoing costs to impacted businesses, including PSAs, in the Tax Information and Impacts Note published at Budget 2025. HMRC will continue to engage with PSAs, and other stakeholders affected by the changes.

12. Pensions: Further changes

***(95) The Government should work with the pensions sector and advisers to consider whether further changes are needed to provide greater parity in the IHT treatment of particular types of pension benefit, regardless of the status of the member at death*. (Paragraph 201))**

The Government accepts this recommendation

The Government keeps tax policy under review.

This recommendation refers to the definition of death-in-service benefits referring to "active members." The Government has already confirmed that death-in-service benefits will be out of scope of IHT, whether the scheme is discretionary or non-discretionary. The Government has now expanded the definition of death-in-service benefits, by removing the requirement for individuals to have been an "active member" of the scheme.

***(93) We recommend that the Government work with the pensions sector on a way to monitor any changes in member behaviour, to identify any wider impact of this measure on people's attitudes to investing in pensions to save for the retirement*. (Paragraph 219)**

***(99) The Government should work with the pensions sector and advisers to consider whether further changes are needed to provide greater parity in the IHT treatment of particular types of pension benefit, regardless of the type of pension scheme under which it is paid*. (Paragraph 212)**

***(100) The Government should consult further in 2026 on the impact of this measure on pension benefits payable to financial dependants on an early or unexpected death, and consider possible mitigations to ensure that pensions continue to protect dependants in such cases.* (Paragraph 213)**

The Government partially accepts these recommendations

The Government has engaged extensively with representatives from tax, legal and pensions organisations since these changes were announced, and will continue to do so. The changes which have already been made to the process have been informed by feedback from these groups.

This measure removes the inconsistencies in the IHT treatment of different types of pensions. This means there will be equal treatment whether the scheme is discretionary or non-discretionary. The Government will continue to engage with the pensions sector to assess the impact of the measure on those who receive different types of pensions benefit.

The IHT treatment of pension benefits payable to dependants following the early or unexpected death of a member is a long-established principle. The Government does not currently intend to consult on this matter but will continue to work with stakeholders as the policy is implemented to understand and assess the impact of the measure on dependants.

13. APR/BPR: Payment deadline

***(12) The six-month deadline for the first payment of IHT for estates that include qualifying agricultural and business property should be extended to 12 months*. (Paragraph 293)**

The Government does not accept this recommendation.

The deadlines for payment of IHT are longstanding. Agricultural and business assets do not qualify for 100 per cent relief under the current rules if they do not meet qualifying conditions, such as the minimum period of ownership test and the nature of the business, so payment can be due within 6 months from the end of the month in which death occurred under existing rules.

Any IHT due on estate assets qualifying for APR or BPR can be paid by equal annual instalments over 10 years and interest-free from 6 April 2026. The first instalment is due 6 months from the end of the month of death, along with any IHT due on assets which do not qualify for instalments. Late payment interest does become due if an individual instalment is paid late, but it is only due on the amount of that instalment.

As set out above, the Government recognises the difficulties PRs may face in paying the IHT due and HMRC offers several payment options to help, such as the Direct Payment Scheme. For those estates where there are insufficient liquid funds in the estate or owned by beneficiaries to pay the annual instalments, they may also be able to apply to postpone the initial payment to obtain a grant on credit or discuss options with HMRC.

14. APR/BPR: Valuation

***(60) The Government should assess its staffing levels and internal expertise for administering IHT on agricultural and business property and implement any necessary changes to ensure its valuation team can manage the increased administrative workload before April 2026.* (Paragraph 281)**

The Government accepts this recommendation.

The Government is already doing this. Current estimates of HMRC costs to deliver the measure are £9.2 million in total over the scorecard period, based on existing systems. These are primarily staffing costs to support the administration of this measure, including valuations.

The Valuation Office Agency (VOA) and the Land and Property Valuation Service Northern Ireland are the Government's specialist valuers of land and buildings for a number of purposes. HMRC's Shares and Assets Valuation (SAV) team are the specialist valuers of shares and other assets for tax. When instructed by HMRC, they will check valuations returned by PRs, and in the majority of cases those valuations are within an acceptable range based on the information provided and no further discussion on the valuation is required. HMRC balance the availability of resource and the level of risk in deciding whether to challenge a valuation, so that PRs are not burdened unnecessarily and discussions can progress without undue delays.

The Government previously announced that the VOA's functions will be brought into HMRC by the end of this financial year. This will combine the expertise and experience of both organisations in policy, valuations, and programme delivery to support the Government to deliver change more effectively. The move will improve the experience for taxpayers and businesses, including forthcoming policy changes to APR and BPR.

***(61) The Government should engage with professional valuers to understand the sector's capacity and the number of suitably skilled valuers.* (Paragraph 282)**

***(62) The Government should work with business organisations representing valuation professionals to carry out a review of its existing guidance on valuing agricultural and business assets, to ensure that the guidance adequately addresses the issues highlighted by our report.* (Paragraph 283)**

(63) *The Government should consider what steps it can take to support taxpayers facing high valuation costs.* (Paragraph 284)

The Government partially accepts these recommendations.

The reforms to APR and BPR do not affect the existing rules on how assets are valued. The general rule for IHT is that assets are valued at their 'open market value' at the date of death. Although tax rules require an open market valuation, the valuation principles followed by HMRC are industry standards. For example, the forthcoming changes to BPR will not change the existing rules on valuing a business; these assume a sale between a hypothetical seller and buyer, reflecting reality for all other factors such as industry conditions, trading history, and prospects, according to industry standards.

There is already a statutory requirement for PRs to provide the market value of a person's assets at their date of death to assess whether any IHT is due, which may necessitate instructing a professional valuer. The Government acknowledges there are existing costs to this for PRs.

The VOA meets with land and property professional bodies on a periodic basis to explore and understand stakeholder issues.

SAV work closely with the valuation industry through hosting the valuation and chattels valuation forums annually. SAV also meet with industry bodies periodically. In these discussions, SAV seek to understand stakeholder queries and work to come to a consensus.

HMRC will continue to engage with the valuation industry and practitioners to understand concerns and impacts, and to keep issues such as capacity under review.

Valuations can be complex, requiring detailed knowledge of statute and case law as well as experience of valuing the specific assets in question. Consequently, HMRC is unable to provide a layperson's guide to valuation. There would be a significant risk of, for example, minimising elements that could prove vital to a valuation. Further, as valuations are very context specific, providing guidelines around acceptable tolerances would have similar risks. Some accredited industry bodies provide online helpsheets outlining open market valuation principles, though they are not endorsed by HMRC.

(56) The Government should commission research into the impact of the death of a key person on the valuation of a business, with a view to considering whether further changes, whether to IHT or guidance, are needed to deal with the situation where the death results in the business having a materially reduced valuation. **(Paragraph 266)**

The Government does not accept this recommendation.

As set out in the Exchequer Secretary to the Treasury's letter to the Sub-Committee in December 2025, the industry approach followed by SAV is that existence of a key person and any risks associated with their retention should be priced in to the value of a business interest. It is therefore already established that the value immediately before death should not usually be materially different to a value immediately post death.

15. APR/BPR: Guidance

(84) The Government should set out plans for how it will further promote awareness of the reforms, including by working with representative bodies to provide greater targeted information about them. **(Paragraph 317)**

(86) The Government should publish and promote realistic worked examples of how these changes are likely to affect businesses and farms, to help individuals and their advisers work through the ramifications of the reforms. These examples should be published no later than the end of February 2026. **(Paragraph 320)**

(87) The Government should publish clear, comprehensive and accessible guidance ahead of the introduction of the reforms, to minimise the cost and administrative burden on individuals associated with obtaining professional advice. **(Paragraph 302)**

The Government partially accepts these recommendations.

The Government is pleased to report to the Committee that additional guidance is already published or is in train to support individuals and practitioners understand how the reforms affect them. On 23 December 2025, the Government updated the news story ['What are the changes to agricultural property relief?'](), with worked examples. The same principles apply for business property.

HMRC is updating gov.uk guidance, the IHT Manual and the SAV Manual to reflect the new rules.

The IHT Manual will be updated with a new chapter covering the £2.5million allowance. This will include worked examples and will cover:

- individuals
- the transferability of unused allowance to use on the death of a spouse or civil partner
- how the allowance works for different types of trust
- an outline of the changes for shares
- an outline of the changes for instalments

There will also be revisions where necessary to existing pages, including in the main APR and BPR chapters. HMRC is also developing a tool to assist with apportioning the 100% relief allowance across assets in an estate, along with accompanying guidance.

HMRC works closely with external stakeholders when developing public facing guidance and forms, including the main representative bodies for tax and legal practitioners. Members of those groups will give ongoing feedback on guidance and public facing products, including discussing specific issues for further guidance or clarification.

Individuals can also provide feedback by using 'report a problem' on gov.uk pages, or can contact gov.uk to ask a question, report a problem or suggest an improvement.

The reforms have been well-publicised in the media, on gov.uk and through Parliamentary activity. The Government anticipates the updated forms and guidance available on gov.uk will provide a thorough and accessible basis for individuals and practitioners to be aware of and understand the reforms. The Government will continue to monitor and update the guidance in response to feedback, as well as continuing to publicise issues in the regular Trusts and Estates Newsletters or through stakeholder liaison groups.

16. APR/BPR: Impacts

(74) The Government must ensure that reforms to reliefs do not disproportionately increase administrative costs or impose undue compliance burdens on estates. **(Paragraph 300)**

(75) The Government should set out how it will mitigate disproportionate compliance burdens for smaller farms and businesses. **(Paragraph 301)**

The Government partially accepts these recommendations.

As set-out in the published Tax Information and Impact Note, the majority of PRs claiming the reliefs will not face additional ongoing administrative burdens. A small number of PRs, transferors and trustees already need to undertake some administration to report and pay IHT. Where they plan to claim the reliefs, they will need to familiarise themselves with the changes.

The Government anticipates the updated forms and guidance available on gov.uk will provide a thorough and accessible basis for individuals and practitioners to be aware of and understand the reforms. The Government will continue to monitor and update the impacts and guidance in response to feedback.

(105) Given the differing views as to the likely impact of the measure on estates with either qualifying agricultural or business property, the Government needs to measure the impact of the reforms over the next seven years. The Government should report on the impact on claims for APR and BPR, including additional IHT receipts as result of the reforms, within its annual IHT statistics release. **(Paragraph 362)**

(106) We recommend that HMRC, in conjunction with the Department for Environment, Food and Rural Affairs and the Department for Business and Trade, commission qualitative research to identify and understand how the reforms have affected farmers and family-business owners, and their succession planning. This should cover the next seven years, to assess the long-term impact of these reforms. **(Paragraph 363)**

The Government partially accepts these recommendations.

Estates claiming APR and BPR are required to provide HMRC with the value of agricultural or business assets, and this is used when calculating whether tax is due. HMRC publishes detailed IHT liabilities statistics and tax relief costs annually. Figures are based on IHT administrative data relating to previous years, which is robust and based on observable outturn information. They are published here:

https://www.gov.uk/government/statistics/inheritance-tax-liabilities-statistics

https://www.gov.uk/government/collections/tax-relief-statistics

There has been some external commentary about the number of farms expected to be affected by the reforms. Part of the confusion has arisen because there is a difference between the total value of a farm and the amount being passed on at death. For example, a farm can be jointly owned by multiple people or family members, meaning each individual’s claim for tax relief can relate to less than the total value of the whole farm.

The reforms announced by the Government are now expected to result in up to 185 estates claiming APR, including those also claiming BPR, paying more IHT in 2026-27. Around 85 per cent of estates claiming APR, including those that also claim for BPR, will not pay any more tax as a result of the changes in 2026-27.

The Government keeps tax policy under review. This measure will be kept under review across Government through communication with representative bodies and taxpayer groups, and continued liaison between departments.

The number of estates making claims for the reliefs will continue to be reported in HMRC’s IHT liabilities statistics in the normal way. The tax cost to the Exchequer of both APR and BPR will also continue to be reported in HMRC’s tax relief statistics in the normal way.

(121) Given that the reforms are now less than three months away, HMRC should, as a priority, establish a working group with relevant professional and business bodies to address their concerns and clarify how the policy will operate in practice, so as to minimise practical uncertainties for those affected and reduce the risk of unintended consequences. **(Paragraph 380)**

The Government partially accepts this recommendation.

Issues where respondents to the technical consultation in the Spring sought further confirmation or clarification have been taken into account in developing the IHT Manual guidance.

Established regular liaison routes are already in place between HMRC and professional representative bodies, such as the Capital Taxes Liaison Group and the Trusts and Estates Agents Advisory Group. Once the revised forms and guidance have bedded-in, feedback on impacts, difficulties and potential improvements will be discussed openly within these practical forums. The Government considers these forums are well-targeted, which any members of a relevant representative body are able to feed into, and does not currently therefore consider there is sufficient gap in engagement to necessitate an additional working party.

(91) ***The Government should seek views on how to ensure that older individuals are not unfairly impacted by the changes to APR and BPR.*** **(Paragraph 339)**

The Government does not accept this recommendation.

The Government understands the concerns about older individuals and the decision at Budget 2025 to make any unused allowance transferable between spouses and civil partners will support this group. However, most estates paying IHT generally belong to individuals who die over the age of 75. This means any changes to the IHT system will always have a more significant effect on older individuals. Providing special treatment for older individuals by, for example, excluding any gifts made before 6 April 2026 from IHT would have a significant effect on the revenue raised to help fix the public finances and fund public services.

17. Digitalisation

***(82) The Government needs to ensure that there are sufficient resources allocated to the development of this new service so that it is operational by April 2027.* (Paragraph 102)**

The Government partially accepts this recommendation.

As announced at Budget 2024, the Government has committed £52 million to digitalise the IHT service from 2027-28 to provide a modern, easy-to-use system, making returns and paying tax simpler and quicker. HMRC are working to design and deliver that service, with IHT Digitalisation a front-runner for utilising incoming enterprise-level technologies within the organisation's broader Transformation Roadmap.

The exact specification of the new service is yet to be finalised, but enhancing support for PRs and PSAs to administer the new IHT charge on pensions is a key consideration in its design, as well as ensuring it aligns with the functionality being implemented to support IHT within HMRC's existing Pensions IT systems.

At the same time, HMRC will receive funding to prepare systems and guidance, and operational funding to administer the new IHT charges on pensions, including the clearance processes agreed following consultation with the industry.

18. Review of these policy changes

***(116) We recommend that the Government undertake a lessons learned exercise to identify what it could have done differently and what it should do in the future when announcing significant changes in tax policy, particularly where there was no prior consultation.* (Paragraph 365)**

The Government partially accepts this recommendation.

The Government keeps tax policy under review.

The interaction between IHT and pensions, and APR and BPR are areas that have been well explored in public debate for many years, with a range of research institutions, think tanks and representative bodies publishing analysis on these issues. As is standard practice, all such representations are carefully considered ahead of fiscal events as well as the Government's own assessments and policy objectives.

The Government chose to consult specifically on the aspects of these reforms where further evidence, technical expertise and operational insight were needed – for example, the options for administering the change for IHT on pensions, and the operation of the 100% relief allowance for trusts.

As well as the technical consultation on these changes, the Government has spoken extensively and regularly with stakeholders from across the pensions, farming and business industry, and legal and tax representatives. The various changes which have been announced to these measures since they were originally announced at Autumn Budget 2024 were made following extensive discussions with stakeholders from these industries. This includes practical measures to aid PRs administering estates containing pensions, and the political or policy choices to make the 100% relief allowance for APR and BPR transferable between spouses and civil partners and increasing the level of the 100% relief allowance from £1 million to £2.5 million.

This demonstrates how the process of engagement has operated effectively: issues raised by stakeholders have been examined in detail, and the Government has responded by making adjustments to ensure the policy is deliverable, proportionate and workable in practice.

19. Tax policy making principles

***(123) The Government should set out the steps it will take to keep the Principles under review. Such steps must include actively engaging with relevant stakeholders to ensure their views on the operation and the appropriateness of the Principles are properly taken into account.* (Paragraph 391)**

The Government accepts this recommendation.

The Government is confident the tax policy making principles set out the right balance between having meaningful engagement with stakeholders on significant policies and progressing tax policy in a timely manner.

The Government has discussed the tax policy making principles with stakeholders in a range of forums since they were published last year to set out its thinking behind the principles and will continue to listen to feedback on the principles as part of its regular, ongoing conversations with stakeholders.

(130) Given the statement of intent in the Principles, the Government should set out what steps they are taking to engage with academics on tax policy development. (Paragraph 405)

The Government accepts this recommendation.

The Government recognises the importance of external engagement in tax policy as it is developed, including working with tax researchers and academics to make sure that policy decisions are rooted in strong evidence and robust underlying research. This includes regular informal engagement on HMT and HMRC analysis with academics on specific areas as noted by Dr Andy Summers in his evidence to the Committee. The Government will continue to consider where regular and flexible engagement with academics can ensure that the development of tax policy is grounded in the latest research.

HMRC and HMT published their respective Areas of Research Interest in November 2024 to promote a more structured approach to working with the academic community.

Building on this, HMRC is increasing its collaboration with researchers through its Future Research and Engagement Strategy, which will create more transparent and responsive routes for academic engagement. The improvements being implemented by HMRC will include providing researchers with additional analytical support while working in the Datalab, HMRC's secure facility for making its data available to external researchers. They will also include an expanded programme of seminars, thematic workshops and methods advisory groups.

(125) The Government must not move away from the principle that open and public consultation serves a useful and important purpose in developing effective tax policy. (Paragraph 399)

The Government partially accepts this recommendation.

The Government agrees with the Committee that open and public consultation serves a useful and important purpose in developing effective tax policy.

The Government believes the tax policy making principles encourage this, clearly stating that robust engagement with interested groups is a key principle underpinning the Government's approach to tax policy and explicitly recognising the importance of engaging with taxpayers on the development of tax policy wherever possible.

However, formal written consultations are not the only route to achieving this, and open engagement must be balanced against the need for flexibility and the ability for the Government to act quickly. In some cases, it is not appropriate or practicable to formally consult on tax changes, for example where there is a forestalling risk.

The Government will continue to ensure that consultation remains meaningful, transparent and proportionate, while retaining the flexibility necessary to tailor engagement to the specific needs and risks of each policy area.

The Government will continue to listen to feedback on the principles as part of its ongoing conversations with stakeholders.

(128) Agile consultation, including where it involves private meetings with stakeholders, need not lack transparency. The Government should publish information about who they have consulted for specific measures. (Paragraph 402)

The Government partially accepts this recommendation.

The Government aims to maximise transparency in tax policy making regardless of the type of engagement being undertaken and does so in compliance with Cabinet Office transparency rules governing Ministerial, Special Advisor and senior official engagement. It recognises the clear benefits of ensuring clarity regarding scope, impact, accessibility and the provision of meaningful feedback.

However, there are limits to what is appropriate. For instance, full disclosure may discourage open and honest discussion, may be too difficult to attribute accurately in wide-ranging or free-flowing conversations, or may not be practical in highly technical or narrowly focused areas. Additionally, transparency may be restricted where there is a significant risk of forestalling.

The Government will continue to act transparently where possible by clearly setting out policy objectives, supporting evidence and, where appropriate, the nature of engagement undertaken.

(133) The Government should be proactive in sharing the data it is using to make policy decisions in a timely manner, at an early stage of policy development. (Paragraph 410)

The Government partially accepts this recommendation.

HMRC already makes a wide range of its detailed administrative data available in the HMRC Datalab, which is a facility that allows secure access to comprehensive anonymised administrative taxpayer data to accredited researchers. Selected HMRC administrative datasets are also available for external researchers via the Office for National Statistics Secure Research Service (SRS). HMRC is committed to the continued operation and improvement of the Datalab. Ongoing improvements to Datalab focus on expanding the range of datasets available and strengthening engagement with researchers. HMRC is also taking steps to streamline the researcher journey, improve efficiency, and ensuring that HMRC data continues to support high quality research in the public interest.

In partnership with ADR UK, HMRC published its Research Futures Strategy in 2025, which set out detailed plans to improve the usability, accessibility and impact of HMRC administrative data for research, supporting robust policy development and decision making. With support from ADR UK and other Government departments, HMRC has committed to increasing the coverage and quality of administrative data made available for research through Trusted Research Environments (TREs) such as the SRS. HMRC will also expand secure cross Government data sharing arrangements to enable external researchers to undertake more comprehensive and policy relevant analysis.

These planned improvements to the administrative data made available for external researchers will be balanced by HMRC's need to ensure that taxpayer confidentiality is not undermined, as well as the practical constraints of sharing and maintaining very large and complex tax datasets.

Alongside each fiscal event, HM Treasury also publishes a separate 'Policy Costings' document. This document presents detailed information on the main data and assumptions underpinning the costing of policies. Each note sets out a description of the measure, the key data sources used in the costing, the tax or spending base, the methodology for the costing (including relevant adjustments for behavioural responses) and highlights main areas of additional uncertainty, beyond those inherent in the OBR's forecast. For certain measures - primarily large or novel measures - an expanded format, setting out the costing in more detail, was applied at Budget 2025.

Published Tax Information and Impact Notes contain summary information on any equality impacts considered during policy development, where applicable. They also contain an estimate of the administrative impacts on business and civil society organisations when certain thresholds are met. The most recent data, insight and evidence available is used to inform and develop these estimates.

(135) The Government should set out how it intends to assess whether the principles have been complied with when developing new policies. (Paragraph 415)

The Government partially accepts this recommendation.

The Government has discussed the tax policy making principles with stakeholders in a range of forums since they were published last year to set out its thinking behind the principles and will continue to listen to feedback on the principles as part of its regular, ongoing conversations with stakeholders.

A formal assessment would not deliver significant additional benefit beyond these arrangements. The Government will continue to ensure transparency and effective scrutiny through existing processes.

(127) The Government should adopt the presumption that there should be a formal public consultation, generally at an early stage, on tax policy, unless there are specific reasons against this. Where the Government decides against a formal public consultation, it should publish this decision and explain why. (Paragraph 401)

The Government does not accept this recommendation.

The Government remains committed to meaningful, proportionate and timely engagement throughout the tax policy development process. The tax policy making principles purposefully set out a smarter and more agile approach, allowing Ministers and officials to select engagement methods best suited to each policy area.

Formal written consultations will continue to play an important role in ensuring transparency and gathering technical views. However, there are a number of channels the Government can use to engage on tax policy. In line with the Cabinet Office's consultation principles, the use of formal consultations must be proportionate and have a clear purpose. In certain cases, the nature of the evidence required, and the available timeframe, may make alternative forms of engagement more suitable. The most appropriate form of engagement is determined on a case-by-case basis, taking into account relative complexity and the impact on delivery timeframes. There are some circumstances where a formal public consultation is unlikely to be appropriate, including but not limited to simple rate and threshold changes, and where there is significant forestalling risk. Where formal consultation is not undertaken, this will be for clear and considered reasons.

(134) The Government should carry out a review of the data sources it uses in evaluating and measuring tax policy changes and take appropriate steps to ensure that the data it uses is not only reliable, but the best data available. (Paragraph 411)

The Government does not accept this recommendation.

HMRC already reviews the available data sources, both internal and external, for evaluating and measuring tax policy changes and measures on a case-by-case basis when designing their analytical models.

These analytical models also take into account the latest relevant external research available to HMRC, and the Government will continue to consider where regular and flexible engagement with academics can further ensure that the development of tax policy is grounded in the latest research.

Every year, the Government provides the Office for Budget Responsibility (OBR) with a set of updated costings for previously announced measures which are particularly large or uncertain. This annual monitoring process helps to ensure that the latest data is being used to inform the OBR's forecasts and helps to ensure that any lessons learned can be incorporated into future costings.

(136) The Government should carry out a review of the operation of the Principles following the 2026 Budget. The review should engage with tax professional bodies and other relevant organisations to obtain their input into the operation of the Principles in practice. (Paragraph 416)

The Government does not accept this recommendation.

The Government values constructive engagement with stakeholders and will continue to gather feedback on the tax policy making principles as they are applied. Engagement following major fiscal events will form part of this iterative approach. The Government does not consider that a separate formal review is necessary at this stage. Routine engagement and continuous improvement will ensure that the tax policy making principles remain effective and relevant.