THE SOCIETY OF PENSION PROFESSIONALS

making pensions work

The Society of Pension Professionals (SPP) response to the House of Lords Economic Affairs Finance Bill Sub-Committee call for evidence on reforming inheritance tax: unused pension funds and death benefits

1. Introduction

1.1. Earlier this year, the government accepted SPP's key recommendation that Pension Scheme Administrators (PSAs) should not be liable for the reporting and payment of inheritance tax (IHT) on pensions and that this responsibility should instead lie with Personal Representatives (PRs).

1.2. This was a welcome change because continuing to use existing payment methods, and to leave the calculation and payment of IHT to the PR and HMRC is not only less costly for schemes to administer but in most cases will result in benefits being paid quicker and ultimately will prove more effective for all interested parties.

1.3. Despite welcoming this key change, the SPP highlighted a number of issues with the current draft legislation in its recent consultation response[1], with a view to ensuring the legislation better delivers the original policy intent and avoids unintended consequences. For example, the SPP state that the requirement for members to be in "employment" should be replaced with a requirement to be in "employment or other service" to avoid inadvertently excluding certain categories of member benefiting from the IHT exemption that applies to death in service benefits; we recommended an explicit exclusion from IHT for trivial commutation lump sum benefits; and have suggested that the requirement that the scheme administrator should pay any tax within 3 weeks from the day on which it receives the beneficiary's notice, is too short and should be extended to 30 business days.

1.4. Against this backdrop, of welcoming the key HMRC modification to its original proposals and subsequently recommending a number of improvements to the legislation that should better deliver the policy intent, the SPP is pleased to have the opportunity of responding to this House of Lords call for evidence

[1] **SPP response to draft Inheritance Tax on pensions legislation, September 2025:** https://the-spp.co.uk/wp-content/uploads/SPP-Response-to-IHT-Draft-Legislation-15.9.25.pdf

2. Executive summary

2.1. **The SPP agrees that the PR will be best placed to identify whether or not IHT is due.** This is particularly the case when considering HMRC have committed to providing PRs, PSAs and beneficiaries with clear guidance, a calculator to advise whether IHT is due, and a straightforward system to pay the tax liability. However, there are steps that could be taken to ease the considerable additional burden on PRs. For example, permitting an executor or PR to be able to access the deceased's pension dashboard information directly.

2.2. **The proposed three-week deadline for pension schemes to pay IHT on behalf of a beneficiary is likely to be problematic.**
This is administratively difficult even with investments in regulated markets, but the problem is compounded if the assets are in illiquid funds.

2.3. **The SPP does not support any suggestion that PRs should be able to request that a pension scheme pays any IHT (and interest) that is due on pension and death benefits payable from the scheme, in addition to a beneficiary being able to request this.**
There are numerous reasons why this is not a good idea, as set out below at 3.14-3.19.

2.4. **The timescales for the payment of IHT under the intended new regime are a serious concern for both PRs and PSAs.**

2.5. **There remains uncertainty about the actual processes to be followed after a death is notified, as the finer details are to be set out in secondary legislation and, we expect, supporting HMRC guidance.**
While we appreciate that the thrust of the intended changes has already been widely publicised, we would strongly urge early publication and consultation about the proposed underlying regulations/guidance alongside the final form of the implementing primary legislation to facilitate this.

2.6. **The October 2024 government announcement that it intended to bring unused pension funds and death benefits into scope of IHT in April 2027 i.e. two and a half years in advance of the proposed date of coming into force - was appreciated by the pensions industry**.
However, a year later, some of the critical details are yet to be settled and we now feel that the timetable for implementation, while still achievable, is getting considerably tighter. It is consequently more likely that oddities, anomalies and unintended consequences might surface after the policy comes into effect due to shortened timescales.

2.7. **The SPP believes that the consultation process could have been improved in some areas.**
The original consultation could have been improved with greater involvement from the pensions industry, which would have saved government considerable time in the long run. In an ideal world, it would have been helpful for stakeholders to have had the opportunity to comment on the revised proposals before the draft legislation was published, but we recognise that HMRC is working to a tight timetable and welcome the fact that it has engaged extensively with the industry, once again, on the contents of the draft legislation.

3. Call for evidence response

Identifying inheritance tax due

3.1. Q2: What is your view of the Government's proposals to ensure personal representatives can obtain the information they need from pension providers? How practicable is it?

3.2. The SPP believes that the Government's revised proposals here are broadly sound, particularly given HMRC have committed to "*providing personal representatives (PRs), pension scheme administrators and beneficiaries with clear guidance, a calculator to advise whether Inheritance Tax is due, and a straightforward system to pay the tax liability*"[2].

3.3. Requiring PRs to obtain/provide information here builds on the existing system and utilises existing payment methods that already leave the calculation and payment of IHT to the PR and HMRC. As the Government recently stated, "*The process for managing the deceased's estate (including Inheritance Tax) already impacts personal representatives, the deceased's beneficiaries and pension scheme administrators. Around 75% of IHT400 forms are submitted by agents, with the remaining 25% coming from non-professional personal representatives. Personal representatives already report and pay Inheritance Tax on the deceased's estate, including for non-discretionary pension schemes."*[3]

3.4. In most cases, the PR will be best placed to identify whether or not IHT is due. Where the deceased has several pensions, information relating to these is more likely to be held by the deceased than the scheme and therefore the PR is more likely to be able to access it. PSAs will only have information about the pension they are responsible for and will have no knowledge of pensions with other providers.

3.5. Inevitably, where the deceased has not left clear instructions and information, the PR is likely to have to search the deceased's correspondence for pension information and may also make use of the Government's Pension Tracing Service.

3.6. Upon identification of pensions schemes, PRs must contact each pension scheme to report the death and request details of the pension benefits, balances and any death benefits payable. The government is also imposing new obligations to communicate the potential tax consequences of decisions to members and their beneficiaries, which will certainly help to ensure PRs can obtain the information they require.

3.7. However, this is also likely to result in considerable additional burdens for PSAs, particularly in light of separate legislation being enacted that requires anyone providing even basic tax information to register with HMRC. This legislation was understandably designed to remove substandard and unscrupulous tax practitioners from the market and to provide confidence in the quality of tax advice and services that clients receive from tax practitioners. However, it has been so widely drafted that it will unintentionally include pension professionals, estate agents and various others who would never be considered "tax advisers" by any objective measure. The SPP has suggested an exemption be granted for pension professionals in the same way that payroll professionals have been exempted[4] and such an exemption would certainly help in the undertaking of the additional IHT responsibilities that are being imposed here.

[2] **HMRC Policy Paper, Inheritance Tax on unused pension funds and death benefits, July 2025: https://www.gov.uk/government/publications/reforming-inheritance-tax-unused-pension-funds-and-death-benefits/inheritance-tax-on-unused-pension-funds-and-death-benefits**

[3] **Ibid**

[4] **SPP response to draft legislation on modernising and mandating tax adviser registration with HMRC, September 2025: https://the-spp.co.uk/wp-content/uploads/SPP-Response-on-Tax-Adviser-registration-proposals-15.9.25.pdf**

3.8. Policy makers should also be aware that the Pensions Dashboards programme is likely to hold over 100 million pension records by the end of 2026 but there are no current plans to make any of that information accessible by an Executor or PR.

3.9. Quite rightly, for an individual to access their pension information on the UK Pensions Dashboard, they will need to use their GOV.UK One Login to securely prove their identity. This helps to ensure only the holder of the pension assets has access to the information.

3.10. Policymakers may wish to explore the possibility of permitting an executor or PR to be able to access the deceased's dashboard information directly. This would enable them to quickly establish what pensions assets the deceased had and obtain the contact details of each of the providers. Clearly this would greatly speed up the process.

3.11. It is worth noting that the dashboards do not provide death in service or death in deferment benefit values, although they will include information to establish whether or not survivor benefits may be payable, which could clearly be helpful.

3.12. It is also worth noting that at present, when a scheme becomes aware that a member is deceased (which they might find out through mortality screening before the executor or PR contacts them) they will stop providing that member's data to the dashboard.

Liquidity challenges

3.13. Q5: What are your views on the Government's suggestions as to how personal representatives can manage any liquidity challenges? How else could the Government support personal representatives who face liquidity challenges?

3.14. We understand there may be calls from some stakeholders (primarily those who advise PRs) for PRs to be able to request that a pension scheme pays any IHT (and interest) that is due on pension and death benefits payable from the scheme, in addition to a beneficiary being able to request this.

3.15. The SPP has a number of concerns with this suggestion. Firstly, it is not yet clear how pension schemes and providers will be able to satisfactorily verify the identity of a deceased member's PR. This would be essential before a scheme or provider was able to accept a request from an individual purporting to be a deceased member's PR to pay IHT on their behalf.

3.16. Currently, where schemes or providers need to verify the identity of a PR they typically request a copy of the grant of probate. However, this is not granted until any IHT that is due on the estate has been paid, which means it will not be available in these circumstances.

3.17. In addition, schemes and providers may be uncomfortable acting on instructions from a third party about how an individual's benefits under their scheme should be used, particularly in circumstances where the relationship between a beneficiary and a deceased member's PR may be complex and, in some cases, acrimonious. We also cannot think of another context - other than the Courts or the Pensions Ombudsman - in which a third party can direct how a person's benefits under a pension scheme are used,.

3.18. And consequently, given that the proposed three-week deadline for pension schemes to pay IHT on behalf of a beneficiary is likely to be problematic, such a payment at the request of the PR is likely to be even more so. This is even before we consider that such payments will be administratively difficult even with investments in regulated markets but with the problem compounded if the assets are in illiquid funds.

3.19. This suggestion from PR representatives is therefore not one that SPP would feel able to support were it to be given serious consideration by government.

Impact

3.20. Q6: Has the Government sufficiently taken into account the impact of the measure on personal representatives and pension schemes administrators?

3.21. The timescales for the payment of IHT under the intended new regime have been a serious concern for both PRs and PSAs.

3.22. Adding pension assets to the existing complex regime of IHT and requiring co-ordination between the non-pensions and pensions sector in relation to the allocation of the nil-rate band and the payment of the tax is a serious burden. With hindsight it might have been better to operate a separate taxation solution for pension death benefits rather than consolidate the process into the existing IHT framework. Particular issues here are the fact that IHT operates on a deemed transfer of value at the date of death while pensions have traditionally focussed on what is actually paid out at the date of payment (which can be some significant time after death).

3.23. The pensions industry welcomes the decision to place responsibility on the PRs to manage the IHT burden since it is only they who have the holistic view of the deceased's estate and can correctly determine the position.

3.24. However, we recognise that this is a difficult area for PRs given the tight six-month timescales for payment, with interest accruing for late payment. We believe that attempts have been made to adjust the proposals to attempt to address concerns but there remains a broad feeling that six months is too short a timescale. It should also be noted that pension lump sum death benefits are generally subject to a discretionary trust, and it takes time for trustees to reach proper decisions given their fiduciary duties under the law.

Implementation and transition

3.25. Q7: How aware of the proposals are those who may be affected by the proposed change? What more should the Government do to raise awareness ahead of April 2027?

3.26. Even professional advisers remain uncertain as to the actual processes to be followed after a death is notified, as the finer details are to be set out in secondary legislation and, we expect, supporting HMRC guidance.

3.27. As the government will appreciate, on a practical level, once finalised it will then take time for administrators to build the necessary systems to implement these requirements to support individuals and trustees to comply, and to ensure that the correct tax payments are made in a timely manner.

3.28. Ideally there should be some type of transition for the first three years. This could include a good faith exemption from liability and interest where there are delays for no fault of the scheme, beneficiary, or personal representatives. Whilst the new requirements bed down, and the inevitable problem areas are discovered, SPP believes that it would make sense for a considerate approach to be taken to enforcement.

3.29. Q8: What are your views on the proposed timetable for the introduction of this measure? Do you think there should be any transitional provisions?

3.30. The October 2024 government announcement that it intended to bring unused pension funds and death benefits into scope of IHT in April 2027 i.e. two and a half years in advance of the proposed date of coming into force - was appreciated by the pensions industry. This is because with such a lead in period, the work required leading up to the introduction of this measure in April 2027 felt achievable. However, a year later, some of the critical details are yet to be settled and we now feel that the timetable for implementation, while still achievable, is getting considerably tighter. It is consequently more likely that oddities, anomalies and unintended consequences might surface after the policy comes into effect due to the shortened timescale to the finalised proposals coming into force.

3.31. We also feel that it is essential that the secondary legislation covering the finer details is available in good time to enable the industry to build in the necessary changes to systems and finalise the new processes. To this end we would suggest that the secondary legislation is developed alongside the primary legislation and ideally consulted on in advance of the Finance Bill being enacted.

3.32. It is hard to see what transitional provisions could usefully be introduced if the new policy applies to deaths after a certain date: i.e. if you die before that date you will not be in scope and if you die after that date you will be. Also, we recognise that such provisions will run counter to the predicted increase in revenue that the policy is expected to deliver for the Exchequer.

3.33. Q15: What are your views on the consultation process the Government has followed in relation to IHT on pensions?

3.34. Whilst the requirements do not come into force until April 2027, we are still waiting for more legislation and until that is final, no one will know what the precise requirements will be. From an administration perspective this does not leave much time to implement significant change as it may be that requirements are not finalised until the summer of 2026. Industry will also have a new payment system that has not yet been developed and yet must be operational from day one.

3.35. The initial consultation could have been improved by involving the pensions industry at an earlier stage or at the very least utilising HMRC and DWP or other internal pension expertise rather than being developed solely by HMRCs inheritance tax team, which led to substantial changes being required that could probably have been reduced if not eliminated at a much earlier stage.

3.36. We welcome the fact that HMRC has engaged extensively with stakeholders through industry workshops (and that it continues to do so) but whilst SPP appreciates the need to ensure these workshops do not become unwieldy and is grateful to have been involved in this helpful process, opening these out to a wider audience may have assisted in ensuring valuable input to help achieve the policy intent. In an ideal world, it would also have been helpful for stakeholders to have had the opportunity to comment on the revised proposals before the draft legislation was published, but we recognise that HMRC is working to a tight timetable and welcome the fact that it has engaged with the industry, once again, on the contents of the draft legislation.

3.37. On a positive note, HMRC has now sought to understand the practical issues and challenges this policy will create and the revised proposals set out in its consultation response and the draft legislation make clear that it has sought to address many of these.

4. About The Society of Pension Professionals

4.1. The SPP is the representative body for a wide range of providers of advice and services to pension schemes, trustees and employers. Our work harnesses the expertise of our membership, striving for a positive impact on pension scheme members, the pensions industry and its stakeholders.

4.2. The breadth of our members is a unique strength for the SPP and includes actuaries, lawyers, professional trustees, DC consultants, investment managers, providers, administrators, covenant assessors, and other pension specialists, delivering a wide range of services.

5. Further information

5.1. For more information about this consultation response please contact SPP Director of Policy & PR at: phil.hall@the-spp.co.uk or telephone the SPP on 0207 353 1688.

5.2. To find out more about the SPP please visit the SPP web site: https://the-spp.co.uk/

5.3. Connect with us on LinkedIn at: https://www.linkedin.com/company/the-society-of-pension-professionals/

5.4. Follow us on X (Twitter) at: https://twitter.com/thespp1

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