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

Chartered Institute of Taxation
30 Monck Street
London
SW1P 1RT

Dear Ellen,

Thank you for your letter of 31 July regarding inheritance tax (IHT) on pensions. I am grateful to you and your colleagues for your continued engagement on these changes and the extensive support you have provided to officials.

As you will be aware, at Budget 2026 the government announced two further technical amendments to IHT in response to your representations. Prospective Personal Representatives will be able to direct pension scheme administrators to pay any IHT due on the pension to HMRC when certain conditions are met. Notional pension property (NPP) will also form part of a separate 'pension' component when determining whether an estate qualifies for the reduced 36% rate of IHT for charitable giving, unless the person administering the estate elects to include the NPP in the 'general' component.

These changes will take effect from 6 April 2027 and will be legislated in Finance Bill 2026-27. HMRC will set out further details of these changes in the next Technical Note on IHT on pensions, which is planned for publication before the end of the year.

I appreciate the wider points you have raised and have considered them carefully with officials. However, I do not intend to make any further changes to the policy ahead of its commencement in April 2027. Officials will continue to work with you and other key stakeholders over the winter to update appropriate guidance and forms.

I understand that you are meeting with HMRC officials later this month who will welcome further collaboration on this policy area. Thank you again for your contributions here.

Yours sincerely



RT HON JAMES MURRAY MP
FINANCIAL SECRETARY TO THE TREASURY