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11 June 2026

HM Revenue & Customs

By email to ihtonpensions@hmrc.gov.uk

Dear HMRC

Inheritance Tax on pensions: Information sharing regulations and associated documents

I am writing on behalf of the Association of Consulting Actuaries (**ACA**) in response to the consultation on information sharing regulations[1] and associated documents circulated to interested parties to implement the Government's policy to bring unused pensions funds and death benefits within the scope of inheritance tax (**IHT**).

The ACA welcomes the opportunity to provide input. We are responding in the capacity of a representative body for professional advisors who provide advice to a range of occupational pension schemes.

We also welcome the technical note[2] published on 11 May 2026 and the next steps in 1.3. The consultation period was only just over three weeks. We note that the indicative timetable states "spring/summer 2026" to make and lay the regulations and we hope that the short consultation is indicative that the final regulations will also be published speedily. We are grateful that HMRC listened to the concerns raised on the process for imposing inheritance tax on pensions and acknowledge that has led to delays as legislation is reworked. We know that HMRC are aware that the pensions industry asked for 12 months in order to update their processes and appreciate the various methods that HMRC is using to keep the industry updated on progress. We look forward to continuing to work with HMRC over the coming months.

This response focuses on the draft information regulations and associated material, but we note that we still have the same two key concerns as in our earlier responses[3]: the prospective worsening of provisions for **financial dependants**; and the **timescale** for payment of inheritance tax under the Pensions Direct Payment Scheme which is unrealistic and simply unworkable for some types of assets – including those required to encourage productive investment.

[1] https://www.gov.uk/government/consultations/inheritance-tax-on-pensions-information-sharing-regulations
[2] https://www.gov.uk/government/publications/inheritance-tax-on-pensions-technical-note/technical-note-inheritance-tax-on-pensions
[3] https://aca.org.uk/aca-response-to-echnical-consultation-inheritance-tax-on-pensions-draft-legislation/

Our detailed comments, with some suggestions for additional guidance, are set out below.

- Part 1: Draft Information Regulations
- Part 2: Draft Withholding Notice
- Part 3: Draft Pensions Direct Payment Scheme Notice
- Part 4: Draft identity guidance
- Part 5: Comments on Technical Note
- Part 6: FA2026 Typos

We would be happy to discuss this matter further. Please contact Kirsty Cotton on 01737 274496 or Kirsty.cotton@wtwco.com. For discussion of the issues for smaller schemes, please contact Nigel Sloam on 020 8209 1222 or nigel@nigelsloam.co.uk.

Yours sincerely

Kirsty Cotton FIA C.Act
Chair of the Pensions Taxation Committee
On behalf of the Association of Consulting Actuaries Limited

ASSOCIATION OF CONSULTING ACTUARIES

About the Association of Consulting Actuaries

Members of the ACA are all qualified actuaries – mainly Fellows of the Institute and Faculty of Actuaries. All actuarial advice given by our members is subject to the Actuaries' Code. Advice given to clients is independent and impartial. Members provide advice to thousands of private sector, local government and public sector employers. The associated pension schemes provide defined benefit (**DB**), defined contribution (**DC**), cash balance (**CB**) and collective defined contribution (**CDC**) rights, with total assets of DB private sector schemes alone exceeding £1 trillion. ACA members include the scheme actuaries to schemes covering the majority of members of private sector defined benefit pension schemes including most of the country's largest schemes. Members also advise thousands of smaller pension arrangements and individuals (many in self-employment) as well as advising life and general insurers.

Particularly relevant for this consultation, our members' work includes general consulting to enable the proper running of pension schemes from the perspective of sponsoring employers and trustees. Several of our members' firms also provide third party administration for pension schemes and so are key agents for the trustees running schemes.

1 Draft Information Regulations

This section considers the consultation on The Registered Pension Schemes (Provision of Information) (Amendment) Regulations 2026[4]. These amend The Registered Pension Schemes (Provision of Information) Regulations 2006[5].

1.1 Draft Regulation 3 Interpretation

We note that there are two definitions of Personal Representative (**PR**)

- The definition in section 272(1) of the IHTA 1984[6] applies for regulations 10H to 10N.
- According to note 6 to the draft regulations, the definition in section 989 of Income Tax Act 2007[7] applies elsewhere.

Other than 10H, 10L and 10J (where it is specified that the regulations apply to Prospective Personal Representatives (**PPRs**)), we are unclear of the extent to which these information regulations apply. Specifically,

- 7.2 of the technical note[8] is clear that the policy intention is that the Pensions DPS can be used before probate is granted. Conversely, we understand from the 3 June workshop, that meeting the requirements to issue a withholding notice as a PPR is not intended to be sufficient to issue a Pensions Direct Payment notice. From that same workshop, we understand that HMRC will check that the legislation works, particularly IHTA S272(1) which includes, under section 199(4) a person who "intermeddles" with property so as to become liable as executor or trustee.
- 5.1 of the technical note states that the definition of PRs for the provision of information regulations encompasses PPRs. Does that mean that other than regs 10 K to 10N, a reference to a PR should be taken to include a PPR?

There is clearly scope for confusion if the same term, PR, simultaneously has two different meanings in different paragraphs of the provision of information regulations. In the 3 June workshop, HMRC indicated that it would be providing a technical note explaining the definition of PR, which would be very welcome! Please see also comment on the draft identity guidance in 4 below.

[4] https://www.gov.uk/government/consultations/inheritance-tax-on-pensions-information-sharing-regulations
[5] https://www.legislation.gov.uk/uksi/2006/567/contents
[6] https://www.legislation.gov.uk/ukpga/1984/51/section/272
[7] https://www.legislation.gov.uk/ukpga/2007/3/section/989
[8] https://www.gov.uk/government/publications/inheritance-tax-on-pensions-technical-note/technical-note-inheritance-tax-on-pensions#pensions-direct-payment-scheme

1.2 Draft Regulation 5 and Draft Regulation 6

Draft Regulation 5 amends existing Regulation 8[9] to extend the information that must be provided by pension scheme administrators (**PSAs**) to PRs once the final relevant lump sum death benefit has been made.

The information requirements were extended with effect from 6 April 2024 to require PSAs to provide, on request from a PR, the name, address, date of birth and national insurance number of each individual (if any) to whom a relevant lump sum death benefit has been, or will be, paid under the scheme. We commented[10] that there are risks to providing this much identity information and it would be safer for PSAs to be required to provide it to HMRC.

These amendments go even further requiring PSAs to always, not just on request, provide the name and address of each beneficiary, if a relevant lump sum death benefit has been paid. We repeat our concerns about disclosing this level of information.

Please could the legislation be amended so that this information is not automatic, but only on request, and that it would be reasonable for the PSAs to receive a declaration that an IHT account is required before providing this information. This would be in line with 5.3.1 of the technical note and the approach that HMRC outlined in the 3 June workshop.

The amended regulation will require PSAs to disclose the actual lump sum death benefit paid and the reduction to the benefit because inheritance tax was paid using the Pensions Direct Payment Scheme (if any). Draft Regulation 6 amends existing Regulation 10 so that PRs must similarly confirm to HMRC that reduction. We are happy with the disclosure requirements. We are still unclear on how the lump sum death benefit allowance (**LSDBA**) process will work in practice and look forward to the promised further guidance on LSDBA calculations.

1.3 Draft Regulation 7: inserting new regulations 10C and 10D

1.3.1 Estimates

Firstly, we very much welcome that HMRC has listened to our, and others', concerns regarding providing final values within the deadlines set out in regulation 10C and has made provision for estimates to be provided where this is not possible.

1.3.2 Spousal and other exemptions

The deadline for providing the split between exempt and non-exempt beneficiaries is the later of 28 days from when the PSA receives the request and "the end of the period of 14 days beginning with the day on which all of the beneficiaries are decided in accordance with the scheme rules." However, deciding the beneficiaries will not necessarily enable the split between exempt and non-exempt beneficiaries to be determined, in particular if the PSA has not received confirmation as to whether or not the spousal exemption applies.

Since PSAs have neither the information nor the tax background to say authoritatively whether any particular spouse or civil partner is entitled to the spousal exemption

[9] https://www.legislation.gov.uk/uksi/2006/567/regulation/8
[10] https://aca.org.uk/wp-content/uploads/22-January-2025-ACA-response-to-IHT-on-pensions.pdf

under s18 IHTA, could the PSA instead be asked at regulation 10C(2)(f) to provide the notional pension property value split between:

1. Any spouse or civil partner of the deceased;
2. Charities and registered clubs;
3. Other exempt beneficiaries not included in items 1 or 2 above; and
4. Other non-exempt beneficiaries not included in items 1 or 2 above.

PSAs should easily be able to tell the PRs how much has been allocated to the spouse/civil partner, once this had been decided.

Similarly, any payments to charities ought to be simple to define and available to the PSA. In 11.1. the technical note refers to benefits paid to “a qualifying charity (as defined for Inheritance Tax)”. Our understanding is that the definition of “charity” used for a “charity lump sum death benefit” is the same as the definition of a qualifying charity as defined for Inheritance Tax. If so, then it would help PSAs if the guidance made this point since PSAs will be familiar with the definition of a “charity” for charity lump sum death benefits. If not, then PSAs will need additional guidance as to how to identify charities for this split.

In respect of payments to registered clubs, i.e. community amateur sports clubs, we understand that HMRC publishes a list of registered community amateur sports clubs[11], so it should be possible for PSAs to check if a club is on the list.

The “charities and registered clubs” line is needed because we understand that such donations are exempt from IHT[12] and that there can be a reduction on the rate of IHT on the remaining taxable estate in certain circumstances[13]. Hence the PRs will want to know about this.

“Other exempt beneficiaries not included in items 1 or 2 above” would cover the list of exemptions from IHT set out in the technical note[14] (other than spousal transfers and gifts to charities and registered clubs). We suspect this will be zero in almost all cases, but again the PSA is likely to know if such a payment is to be made.

The final category of “Other non-exempt beneficiaries not included in items 1 or 2 above” would usually include all other beneficiaries apart from spouses/civil partners and charities. For example, it would include unmarried partners, children whether adult children or minors (even if financial dependants), siblings etc.

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[11] https://www.gov.uk/government/publications/community-amateur-sports-clubs-casc-registered-with-hmrc--2

[12] https://www.legislation.gov.uk/ukpga/1984/51/section/23

[13] https://www.gov.uk/government/publications/inheritance-tax-on-pensions-technical-note/technical-note-inheritance-tax-on-pensions#related-technical-information

[14] https://www.gov.uk/government/publications/inheritance-tax-on-pensions-technical-note/technical-note-inheritance-tax-on-pensions#scope-and-notional-pension-property . “**3.4 Exempt beneficiaries**
Payments to certain types of beneficiaries are exempt from Inheritance Tax, such as transfers between spouses and civil partners, where they are long-term UK residents. The beneficiaries that are exempt from Inheritance Tax are set out in sections 18, 23, 24, 24A, 25 and 27 IHTA 1984.”

The advantage of amending the draft regulations so that the PSA would provide the information with this proposed split is that the PSA would then not need to decide if the spouse/civil partner was entitled to the spousal exemption. As noted above, PSAs will have neither the information nor the tax background to do so. That decision would implicitly be for the PRs who ought to be better placed to decide it, and the PSA would not need to express any opinion on the matter. This would help the PRs because it would mean that the PSAs could probably respond faster to their information requests.

If these changes can't be made, then what should PSAs do if they have been unable to establish whether the spousal exemption applies at the point that they have determined the beneficiaries, e.g. if neither the PRs nor the spouse/civil partner had given formal written confirmation to the PSA about whether the spousal exemption applied? Any guidance will also need to cover how much reliance could be placed on a statement by the beneficiary who is not a PR. (See also our comments under 2.4 below in relation to withholding notices.)

1.4 Draft regulation 7: Inserting new regulation 10F

New regulation 10F sets out the information the PSA must give to PRs if the PSA has paid, or intends to pay, excluded benefits to any beneficiary. At the workshop on 3 June, you explained that this information was necessary because PRs need to include it on the IHT 409 form[15]. We were not aware of that requirement and so it would be helpful if that was communicated more widely.

In addition, clarity is needed on what is meant by the "nature" of those payments. For example, is it only the type of benefit (i.e. dependants scheme pension)? If so, can the wording in (3) make this clear. Otherwise, please could the meaning of "nature" be explained in guidance.

We note there is no corresponding requirement for insurance companies to provide such information.

1.5 Draft regulation 7: Inserting new regulation 10H

New regulation 10H sets out the information the pension scheme administrator must give to a person who issues a withholding notice.

The information required is specified in two paragraphs. (3) sets out that the notice has been received and confirmation of whether or not it is valid. (5) sets out additional information for a valid notice. We can understand why PRs would wish to have speedy confirmation that the notice will/will not be implemented and hence why a 14 day deadline would apply here. However, is 14 days really necessary to provide the more detailed information. Could a longer timescale apply? Especially as:

- the PSAs will definitely need to have confirmed the PR/PPR before providing this information.
- The withholding notice might be issued before, or at the same time, as a request for the basic information. PSAs have 28 days to provide the basic information. Might it be possible to provide an estimate of the total amount being withheld where an accurate value of benefits was not reasonably available?

[15] https://www.gov.uk/government/publications/inheritance-tax-pensions-iht409

Could the regulations (or guidance) also make clear that if a PSA accepts that a withholding notice is valid, this does not imply that the PSA has accepted that the person is indeed a PR as opposed to a PPR, regardless of which option has been ticked on the notice? Since a valid notice could be issued by either a PR or a PPR then, in order to avoid unnecessary delays, it is possible or indeed likely that a PSA would focus on checking other aspects of the notice for validity rather than on whether the person was a PR or was a PPR. If the PSA had to check that the issuer of a notice who asserted to be a PR actually was a PR, then this would impose extra work and delays.

Proof of PR status would be needed to withdraw someone else's withholding notice, or to issue a payment notice, but this evidence can be gathered while the estate's administration is in progress. An actual or prospective PR might want to put a withholding notice on quickly, as soon as they knew of the member's death and the details of the pension scheme.

1.6 Draft regulation 7: Inserting new regulation 10I

New regulation 10I sets out the information the PSA must give to a person who issues a withholding notice if the member's benefits are to be included in a block transfer.

1.6.1 Transfers in scope

As we noted in our letter[16] of 5 February 2026, we were concerned that a withholding notice could prevent schemes that are seeking to wind up or bulk transfer benefits from doing so. We welcome that the policy intention appears to be that such transactions can continue with the withholding notice falling away (with the PRs having an option to impose a withholding notice on the receiving scheme). However, we are confused as to how the legislation achieves that.

6.7.5 of the technical note[17] states "Where the deceased member's funds are included in a bulk transfer, any withholding notice ceases to have effect in relation to those funds." As far as we can see there are no specific provisions in either these draft regulations or current legislation enabling this override. Hence, it seems to us that the assertion can be true only if:

- withholding notices do not apply to recognised transfers, as defined in s169 of Finance Act 2004. We note that withholding notices prevent payment of a benefit to a person – there is an argument that because a recognised transfer is not a payment to a person, but a payment to another pension scheme; and that
- the withholding notice then no longer applies because there are no benefits left in the scheme.

On this logic, it would similarly be possible to pay any recognised transfer (noting that those are currently restricted to pension death benefits, but that would include dependant/nominees drawdown) and the original withholding notice would thereby fall away. However, if this were the case, then we would have expected a disclosure

[16] https://aca.org.uk/aca-responds-to-inheritance-tax-on-pensions-finance-no-2-bill-2024-26/
[17] https://www.gov.uk/government/publications/inheritance-tax-on-pensions-technical-note/technical-note-inheritance-tax-on-pensions#withholding

requirement following any recognised transfer, not only a block transfer. Please could you clarify the policy intention regarding other types of transfer?

Further, given that many types of death benefits cannot be transferred as a recognised transfer, do schemes have to wait until the end of the 15 months withholding period (or earlier date that the PRs withdraw the withholding notice) before they can wind up a scheme?

1.6.2 Block transfer definition

Block transfer is defined as that which applies for PPA50 protection[18]. We note that if all DC rights are being transferred, but DB rights are retained in the scheme, then the transfer would not qualify as a block transfer. However, in this circumstance, it is likely that there would be no notional pension property left in the transferring scheme (given that most DB rights do not fall within notional pension property) and so the PRs need to know about the transfer. Similarly, HMRC's block transfer provisions do not apply where a section of a scheme is being transferred[19].

This narrow definition of a block transfer causes many issues where schemes are attempting to consolidate in line with DWP/TPR expectations. As such, our strong preference would be to consider extending the definition of block transfer. We would be very happy to discuss this further.

1.6.3 Disclosure deadline

Information must be provided within "14 days beginning with the day on which the block transfer is made to the new scheme" (or notice given to the PSA). What does "made" mean here? For example, our understanding is that it is not necessary for all of the assets to be transferred at the same time.

1.7 Draft regulation 7: Inserting new regulation 10J

New regulation 10J sets out the information the PSA must give to a beneficiary following receipt of a valid withholding notice.

As noted in 1.5 above, we would prefer a longer period to provide the detailed information to PRs. If the period for the more detailed information is extended in 10H, then the same change should be made in 10J(4)(a).

1.8 Draft regulation 7: Inserting new regulations 10K and 10M

1.8.1 Consequential reductions

New regulation 10K covers information from the PSA to a beneficiary after the scheme has paid IHT pursuant to a payment notice submitted by the beneficiary (with regulation 10M covering information to PRs where the PR requested the payment).

(a) Sub-paragraph 10K(h) is confirmation that the beneficiary's share of notional pension property "has been reduced" to reflect the IHT and interest paid. This is inconsistent with and different from section 226B IHTA

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[18] FA2004 Sch 36 para 22(6)

[19] For PPA50, some protections are extended for a partial winding up where all benefits related to an employer are transferred or secured. See PTM063600 and PTM062240. It is unclear whether that would apply here.

1984, recently inserted by FA2026 because, as 1.14 of the ACA's letter[20] to HMRC of 5 February 2026 explained, s226B(6)[21] only requires that a consequential adjustment to the beneficiary's benefits "may be made". Although not fatal to how the new regime is likely to operate in practice, the information regulations imply a "must" instead of a "may".

(b) There is no requirement on the scheme administrator to quantify to the beneficiary the effect of the reduction where the benefit is not a simple DC amount that is reduced by the amount of IHT and interest paid.

1.8.2 Invalid notices

HMRC's technical note[22] says that "Pension scheme administrators must tell the taxpayer why a [payment] notice is invalid within 35 days of receipt of the payment notice", but we can't see that requirement is explicit in the draft legislation. In any event, given that PSAs have 35 days to make the payment, we think any such requirement should apply from 14 days after a determination has been made that the notice is invalid.

The same point applies to regulation 10M.

1.9 Draft regulation 7: Inserting new regulation 10N

New regulation 10N covers information from the PSA to a beneficiary after the scheme has paid IHT pursuant to a payment notice submitted by the PRs.

Unlike regulations 10K, 10L and 10M, this does not require the PSA to provide the date of death, date of payment or HMRC reference number. Is that deliberate? Further , we would expect a requirement to confirm to each beneficiary how their share of, or entitlement to, notional pension property has been reduced, to the extent this is known.

1.10 Draft regulation 8

1.10.1 Inconsistences

We note that this paragraph brings in more items listed in regulation 3 of the main information reporting regulations (SI 2006/570), i.e. the annual Event Report, into mandatory electronic reporting. Since these draft regulations were published, HMRC has laid the fourth set of LTA amendment regulations[23], which also amend Schedule 1 of SI2006/570. This regulation will need to be adjusted to refer to the updated text (assuming that the LTA amendment regulations are brought into force).

We assume that this change aims to put into regulations HMRC's recent requirements that transfers to QROPS[24] and other reportable events (including those related to the

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[20] https://aca.org.uk/aca-responds-to-inheritance-tax-on-pensions-finance-no-2-bill-2024-26/

[21] https://www.legislation.gov.uk/ukpga/1984/51/section/226B

[22] https://www.gov.uk/government/publications/inheritance-tax-on-pensions-technical-note/technical-note-inheritance-tax-on-pensions#pensions-direct-payment-scheme

[23] https://www.legislation.gov.uk/ukdsi/2026/9780348283686/regulation/13

[24] https://www.gov.uk/guidance/report-a-transfer-to-a-qualifying-recognised-overseas-pension-scheme

post 6 April 2024 lump sum allowances regime)[25] must be reported electronically through the Managing Pension Schemes service. However, it applies only to deaths on or after 6 April 2027, so the scope will need to be changed.

1.10.2 Money purchase annual allowance pension savings statement

Given that regulation 8 has nothing to do with reporting IHT, we wonder if it would be possible to make another amendment that is similarly not to do with IHT.

Where the scheme administrator has reason to believe that the member has flexibly accessed pension rights and has exceeded the money purchase annual allowance of £10,000, they are required by SI2005/567 reg 14A(1)(b)[26] to send the member a statement containing the information set out in Regulation 14A(10). Pension savings statements issued in 2025-26 related to pension input in 2024-25. The three previous years referred to in sub para (10)(e) were therefore 2021-22, 2022-23 and 2023-24. As such, 10(e)(i)(aa) should have been updated to note that the allowance has been £10,000 for tax years 2023-24 onwards.

1.10.3 DWP legislation

Another point we have raised, but we are not lawyers, is whether there needs to be consequential changes for DWP's legislation? For example, where the pension scheme pays IHT on behalf of the PRs and the estate, there might need to be an exemption from the inalienability and forfeiture provisions in DWP legislation, corresponding to that for scheme pays.[27]

2 Draft Withholding Notice

2.1 Typo?

We suggest that both times it appears in the opening paragraph "payment" is replaced with "withholding" so that the relevant sentences read:

- "This document provides the standard for withholding notices under section 226A Inheritance Act 1984."
- "Whilst pension schemes can adapt the content and form to fit their own procedures, as a minimum a withholding notice must include the information set out below."

2.2 Scheme and member identification

The draft notice includes helpful notes as to which information is necessary for a valid notice, and which does not need to be provided for the notice to be valid. It also says that "Whilst pension schemes can adapt the content and form to fit their own procedures, as a minimum a payment notice must include the information set out below". Where pension schemes request additional information, would this be required in order for the notice to be valid? If not, then it is essential that HMRC's standard notice provides sufficient information so that the PSA can:

[25] https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm161100
[26] https://www.legislation.gov.uk/uksi/2006/567/regulation/14A
[27] https://www.legislation.gov.uk/uksi/1997/785/regulation/8

1. Identify accurately and precisely which pension scheme is being given the notice. As such, the notice needs a section on the pension scheme to which the notice is being given. As a minimum, this should include the scheme's full formal name. A Pension Scheme Tax Reference (PSTR) number could be asked for "if known".
2. Identify the deceased. The Pensions Administration Standards Association expects that for dashboards the National Insurance number will feature in at least some of a scheme's match criteria. Consistent with that (and the Pensions Direct Payment Scheme notice), we suggest including a National Insurance number field, if known, in the withholding notice

2.3 Process

If a PR submitted a withholding notice, but did not follow the scheme's processes, would that be valid?

2.4 IHT spousal exemption

The question concerning the residence status of any surviving spouse or civil partner is unclear. What pension schemes need to know is whether or not the inheritance tax spousal exemption applies. Our understanding is that knowing the tax residence status of any surviving spouse or civil partner is sufficient if that individual is a long-term UK resident for IHT purposes. However, if the individual is not a long-term UK resident, then we understand that it would also be necessary to know whether or not the member had been a long-term UK resident.

We suggest it would be preferable for the question to focus on the spousal exemption rather than tax residence (with the notice pointing to relevant Government guidance.) Options could be

1. There is no spouse/civil partner.
2. It is unclear whether there is a spouse/civil partner.
3. There is a spouse/civil partner and the spousal exemption applies.
4. There is a spouse/civil partner and the spousal exemption does NOT apply.
5. There is a spouse/civil partner and it is unclear whether or not the spousal exemption applies.

Further, we request that guidance be provided for PSAs in the situation where a PR states that the spousal exemption does not apply, but the beneficiary says it does.

2.5 PRs' details

In the case where the notice is being submitted by someone acting on behalf of a PR or PPR, it is not clear that details should be provided for both the PR and the person acting on their behalf, which we assume is the intention. Will guidance cover the evidence that PSAs should consider when deciding whether or not they can accept a notice from someone claiming to be acting on behalf of a PR or PPR?

2.6 Withdrawing a notice

The technical note (6.4) says "If a prospective personal representative issues a withholding notice but does not then obtain the Grant, they should contact the pension scheme administrator to withdraw the notice." However, the draft notice makes no mention of this, the declaration only refers to withdrawing a notice "if the IHT is paid in full or it emerges that no IHT is due".

2.7 Excluded benefits

We note that the notice states "Notional pension property does not include excluded benefits, however they are explicitly listed here to prevent misunderstanding". We assume that comment applies more widely, for example to draft regulation 10C(2)(d) "the value of the notional pension property, other than excluded benefits, at the date of the member's death". If so, it would be helpful to include that comment in a similar way in the withholding notice, and also in other guidance.

3 Draft Pensions Direct Payment Scheme Notice

3.1 Scheme and member identification

Again, as with the withholding notice, there needs to be enough information and real clarity as to exactly which pension scheme is being given the notice and the identity of the member.

The scheme would have previously provided a benefit statement, to enable the PRs or beneficiary to know what notional pension property and hence what IHT would be due. The scheme's statement would almost certainly have included the scheme's own membership number for the deceased. Hence, we suggest that it should be mandatory on a payment notice for the PR or the beneficiary to give the deceased's scheme membership number.

The draft notice includes "National Insurance number (if known). It appears that in order to apply[28] for an inheritance tax reference, PRs are expected to provide the National Insurance number. It seems reasonable for PRs (but not beneficiaries) to be **required** to provide the member's National Insurance number at this stage.

3.2 Process

The same questions arise as for withholding notices regarding the status of a notice where pension schemes request additional information or alter the notice. If a pension scheme created different notices for PRs and beneficiaries, and the individual used the wrong notice, would the notice be invalid. Specifically, would this be the case for a PR who is also a beneficiary as the notes to HMRC's notice state that such an individual must complete the Pensions Direct Payment Scheme notice as a beneficiary.

3.3 PR identification

The notes to the withholding notice imply that identity evidence must already have been received or must accompany the notice. Please could a similar note be added to the Pensions Direct Payment Scheme notice.

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28 https://assets.publishing.service.gov.uk/media/633317e48fa8f51d2a863176/IHT422.pdf

4 Draft identity guidance

We note that there are two definitions of PR in the information regulations, but only one set of guidance as to how to check the identity of a PR. The guidance appears to be focussed on how to identify a PR and a PPR for the initial provision of information under draft regulations 10C and 10D.

As noted in 1.1 above, we believe that the policy intention is that someone who was a PPR initially should, in some circumstances, then have the option to ask the PSAs to pay IHT using the Pensions Direct Payment Scheme. What additional identification requirements would be required?

The process for accepting the identity of PRs is more important and challenging than the processes for dealing with PPRs. This is because PRs but not PPRs may issue a payment notice. As the draft guidance acknowledges, currently, PSAs usually ask PRs to show evidence that probate has been granted as evidence of their authority to act as the PR. However, because (at least some) IHT must be paid before probate will be granted, when in future a PR submits a payment notice to the pension scheme the PSA will often be asked to accept that the person applying has authority to act as the PR before the grant of probate has confirmed that legal authority.

Unlike the direct payment scheme for banks, who may demur in cases where the bank has doubts or concerns, the Pensions Direct Payment Scheme will be mandatory for pension schemes to operate. The PSA must always pay the tax, within a tight timeframe, on receipt of a valid notice from a PR, but must not pay any tax (since the PSA would have neither legal authority nor protection under IHTA) if the person issuing the payment notice was not a PR. Accurately distinguishing between PRs and non-PRs (including people who are merely PPRs) will be essential. Hence, it is also essential to have clear, reliable, practical and authoritative guidance for PSAs on how to do this correctly, given that payment notices from PRs under the Pensions Direct Payment Scheme will often be in the period before any PRs have the grant of probate.

5 Comments on Technical Note

Thank you for publishing the technical note[29]. Given that this letter is primarily about the information regulations and associated documents, we raise just four points here. We would be happy to discuss any of these further.

5.1 Meaning of maximum amount possible within 150A(2)(c)

Thank for you including an explanation of why the legislation[30] states “assuming that the maximum amount possible is paid as a lump sum death benefit” in calculating the value of a scheme continuation payment. It appears that you have in mind a situation where the scheme rules give trustees a choice between paying benefits as a lump sum or a continued pension.

In our view, a more common situation is where, on death in deferment, the scheme pays a survivor pension, if possible, but pays a lump sum in the absence of any survivor

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[29] https://www.gov.uk/government/publications/inheritance-tax-on-pensions-technical-note/technical-note-inheritance-tax-on-pensions
[30] https://www.legislation.gov.uk/ukpga/1984/51/section/150A

on death. It would be helpful if the technical note could be expanded to cover this situation. Two questions arise.

1 At what point is it necessary to determine under Step 2 whether it can "reasonably be expected to be paid as a lump sum death benefit". Is it acceptable to leave that decision until later in the process when beneficiaries have been identified and to proceed on the basis that it might be paid as a lump sum death benefit? The alternative is to take a view as to the likelihood of suitable survivors, which both risks undervaluing the notional pension property and seems more challenging.
2 What should the PSA provide as the estimated value initially? We suggest that it would be consistent with the legislation where a scheme continuation payment is made to assume that the maximum possible lump sum is paid. That would also mean that PRs could be confident that they would not be understating the assets and so in many cases would still be able to determine that an IHT account would not be required. This amount would then be updated when the beneficiaries, and consequent benefits, have been determined.

5.2 Collective money purchase schemes

3.2.3 is headed "Collective money purchase schemes" (and signposted as such from para 3.2.1). Do you mean hybrid schemes? If not, we do not understand this paragraph.

5.3 DC/CB: dependants' scheme pensions

3.3.1 states "Any dependants' scheme pension that meets these conditions will be an excluded benefit, regardless of the type of pension arrangement from which it is paid."

As we noted in our previous correspondence, most recently in our letter of 5 February[31], IHTA 84 S150A(6)[32] reads (our emphasis)

> *"excluded benefit", in relation to a pension scheme, means a benefit that **may only be paid** under the scheme as one or more of the following—*
>
> > *(a) a dependants' scheme pension; ...*

A DC/CB fund cannot be used to provide a dependants' scheme pension unless the beneficiary has been given the option to purchase a dependants' annuity instead. This means that a DC/CB fund 'may' always be used to provide a dependants' annuity rather than a dependants' scheme pension. Our reading of the legislation is that this means that all DC/CB funds are in scope of IHT regardless of how they are used. Specifically, they are in scope even if, in fact, the DC/CB funds are used to provide a dependant's scheme pension. Does the technical note mean that DC/CB funds would be out of scope in these circumstances?

We wonder if the intention is that dependants' scheme pensions purchased using DC/CB funds before the member's death in association with a member's scheme pension would be 'excluded' from notional property, but not otherwise.

[31] https://aca.org.uk/aca-responds-to-inheritance-tax-on-pensions-finance-no-2-bill-2024-26/
[32] https://www.legislation.gov.uk/ukpga/1984/51/section/150A

5.4 Pensions Direct Payment Scheme: illiquid assets

As raised in previous correspondence[33], we welcome the extension of the deadline to pay inheritance tax under the Pensions Direct Payment Scheme from 3 to 5 weeks, but a 5-week deadline is unworkable and impractical for some types of illiquid assets held by pension schemes for their long-term purposes.

The technical note states:

- *"Illiquid assets already need to be liquidated to provide members with an income in retirement or their beneficiaries with death benefits."* It is not necessarily the case that illiquid assets need to be sold to provide an **income**, our emphasis. On both retirement and death, members may seek to draw the funds over their remaining lifetime. This means that the pension schemes will be paying small amounts over a long time rather than a large amount as a one-off payment.
- *"Personal representatives and beneficiaries should discuss the best way to pay any tax owed. As an instruction to pay must be completed within 35 days, pension schemes which hold illiquid assets may wish to inform potential beneficiaries of their options to liquidate the assets ahead of a notice being received."* We commented[34] in February that "a deadline of 12 weeks would be workable for most illiquid assets - even a move from 5 weeks to 8 weeks would give a challenging but at least vaguely practicable timetable for a significant number of schemes with illiquid assets." We agree that if beneficiaries and PRs were willing to give notice that they expect to need to request a Pensions Direct Payment Scheme notice then this would help in many cases. Could guidance encourage this?

However, it is still likely that there will need to be forced sale of illiquid assets in some circumstances. The effective forced sale of illiquid assets could:

- seriously impact small and growing companies who benefit from pension fund equity loan or property investments;
- impact the value of such investments negatively. Trustees have a fiduciary duty to act in the best interests of ALL the beneficiaries of the trust. Meeting a Pensions Direct Payment Scheme payment for a single beneficiary could force trustees into a position where they are forced to realise assets at low value which is detrimental to both other scheme members as well as the beneficiaries of a deceased member. Trustees will be obliged to make decisions which are detrimental to multiple other beneficiaries.
- may lead to a situation where the asset (e.g. property) is sold on a basis which is not aligned with the valuation methodology used to determine the value of the notional pension property and subsequent IHT (e.g. market value vs. forced sale/auction). Unless there is a mechanism for the IHT liability to be adjusted as a result of the actual value achieved, this would seem to be unfair on the beneficiaries.

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[33] https://aca.org.uk/aca-response-to-echnical-consultation-inheritance-tax-on-pensions-draft-legislation/ para 4.1

[34] See footnote 16

These issues are likely to be most acute for SIPPs and SSASs. Nigel Sloan and Mark Plewes[35] would be happy to discuss with HMRC to explain the issues that arise and potential solutions. For example, there are options for PRs to pay IHT over time (with interest) if the deceased owned real property, etc. In order to avoid problems as highlighted above, we believe that at the very least a similar facility should be granted in similar circumstances where the pension scheme holds assets which would permit time to pay IHT if those assets were held in the wider estate.

6 FA2026 Typos

We note that the reference in ITEPA 2003 567B(2)(a)[36] is incorrect – it should now be 226B(6) not 226B(5).

We think that the three references in FA2004 S206A[37] to the lump sum death benefits charge should be to the "special lump sum death benefits charge".

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[36] https://www.legislation.gov.uk/ukpga/2003/1/section/567B

[37] https://www.legislation.gov.uk/ukpga/2004/12/section/206A