ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE: IMMEDIATE

ACA SAYS SEPARATE PENSION INHERITANCE TAX REGIME SHOULD BE CONSIDERED

22 January 2025: In their response to the HMRC *Inheritance Tax on pensions: liability, reporting and payment* consultation, the Association of Consulting Actuaries (ACA) welcomes the fact that HMRC has provided more time for implementation, but says that radical changes to the proposals will be required if they are to be fair and reasonable in how they apply.

Kirsty Cotton, Chair of the ACA Pensions Taxation Committee, said:

"There needs to be clearer and better exemptions and processes for financial dependants and small pots.

"The proposed six-month deadline for paying the correct amount of inheritance tax (IHT) is unworkable for pension schemes. In practice, there are often material delays in death notifications where members left employment many years ago and not kept in active contact with their pension scheme. Trustees also need time to gather sufficient information to make appropriate discretionary decisions in what can be complex situations and where nominations are out of date.

"We have many practical concerns with the proposal that pension scheme administrators become responsible for paying a share of IHT determined by the Personal Representatives. Instead of attempting to integrate pension schemes into the IHT process, a simpler approach is required recognising that pension assets are fundamentally different from other financial assets."

ACA says it is concerned that pension schemes would be subject to deadlines, and potential penalties, although they would be reliant on external parties to notify the scheme in good time and with relevant detail.

PSAs also need to be able to pay out small pension pots without disproportionate administration or a concern that they might later be liable for any IHT due.

The ACA response also builds on the argument that pension assets are fundamentally different. In responding to the question of alternative approaches, the ACA proposes a separate Pension Inheritance Tax (PIHT) that would help to address concerns regarding financial hardship and timescales. A simpler system would help HMRC, PRs, beneficiaries, financial advisers and pension scheme administrators.

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About the Association of Consulting Actuaries (ACA)

Members of the ACA provide advice to thousands of pension schemes, including most of the country's largest schemes. Members of the Association are all qualified actuaries and all actuarial advice given is subject to the Actuaries' Code. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of private sector defined benefit pension schemes. The ACA is the representative body for UK consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body.

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