

To: HM Revenue and Customs
Email to: ihntonpensions@hmrc.gov.uk

Technical consultation – Inheritance Tax on pensions: liability, reporting and payment

In its role as an administering authority of the Local Government Pension Scheme, East Sussex County Council welcomes the opportunity to respond to the consultation on the processes required to implement the changes to Inheritance Tax on pensions.

I hope the content is helpful. Should you have any queries or require any additional information, please do not hesitate to contact dave.kellond@eastsussex.gov.uk

Yours faithfully

East Sussex Pension Fund

1. Do you agree that PSAs should only be required to report unused pension funds or death benefits of scheme members to HMRC when there is an Inheritance Tax liability on those funds or death benefits?

We believe PSAs should not be required to report unused pension funds (such as AVCs) or death grants to HMRC under any circumstances. The responsibility for accounting for these elements of the estate, including any tax burden, should rest solely with the personal representative (PR) or executor of the deceased. This ensures that Fund Officers are not unnecessarily burdened with tasks outside their primary remit. Consistency with the treatment of other estate assets, such as property or funds held in bank accounts, would simplify the process and align with existing practices.

2. How are PSAs likely to respond if they have not received all the relevant information from the PR to pay any Inheritance Tax due on a pension by the 6-month payment deadline?

PSAs are likely to chase PRs for the required information, but this introduces significant challenges. Where PRs do not engage, particularly in contentious estates, delays are inevitable. Shifting the tax burden and responsibility to the PR ensures that PSAs are not placed in a position of conflict between beneficiaries and tax authorities. A potential solution could involve treating death grants as part of the estate, distributed in line with other assets, thereby reducing Fund Officers' involvement in such disputes.

3. What action, if any, could the government take to ensure that PSAs can fulfil their Inheritance Tax liabilities before the Inheritance Tax payment deadline while also meeting their separate obligations to beneficiaries?

The government should ensure that the tax burden and associated deadlines are managed by the PR rather than PSAs. PRs, with their comprehensive oversight of the estate, are better positioned to fulfil these obligations. This would allow Fund Officers to focus on their core duties without the risk of conflicting obligations. Simplifying the process by removing PSAs from the tax reporting chain would be the most effective solution.

4. Do you have any views on PSAs reporting and paying Inheritance Tax and late payment interest charges via the Accounting for Tax return?

We believe that PSAs should not be responsible for reporting or paying Inheritance Tax (IHT) or interest on late IHT payments. This responsibility should rest entirely with the PR or executor, as they are best equipped to account for the entire estate. Fund Officers should not be required to act as tax intermediaries, a role that goes beyond their remit and introduces unnecessary complexity.

5. Do you agree that 12 months after the end of the month in which the member died is the appropriate point for their beneficiaries to become jointly and severally liable for the payment of Inheritance Tax?

The executor should remain the sole party responsible for IHT throughout the process. If this responsibility is to shift to beneficiaries, a 12-month timeframe potentially may be acceptable, provided it includes a hard deadline after which HMRC ceases to pursue liabilities. However, the onus should not fall on Fund Officers, who should not have a role in managing or monitoring these deadlines. In addition, we have concerns in relation the time taken for executors to obtain Probate, which can be up to 24 months, meaning a 12-month timeframe could become a hostage to fortune.

6. What is the most appropriate means of identifying or contacting beneficiaries if either the PR or HMRC realises that an amendment is needed after Inheritance Tax has been paid? Should PSAs be required to retain the details of beneficiaries for a certain period?

The PR, as the executor of the estate, should be solely responsible for retaining and managing beneficiary information. PSAs should not be required to retain these details beyond their operational needs. Imposing such obligations on Fund Officers introduces data protection risks and diverts resources from their primary duties.

7. What are your views on the process and information-sharing requirements set out above?

The proposed process places undue administrative and operational burdens on PSAs, particularly Fund Officers. The executor, with their estate-wide oversight, is better positioned to handle information-sharing requirements. This approach ensures clarity of roles and prevents unnecessary duplication of efforts.

8. Are there any scenarios which would not fit neatly into the typical process outlined above? How might we address these?

Disputes within the estate, delays from non-cooperative PRs, and cases involving multiple beneficiaries create significant complexities. Addressing these scenarios requires clarifying that the executor is solely responsible for resolving such issues. This reduces the involvement of Fund Officers, ensuring they are not caught in disputes or obligated to act as intermediaries.

9. Do you have any other views on the proposal to make PSAs liable for reporting details of unused pension funds and death benefits directly to HMRC and paying any Inheritance Tax due on those benefits? Are there any feasible alternatives to this model?

We oppose making PSAs liable for reporting and paying IHT on unused pension funds and death benefits. The responsibility should rest solely with the executor, as they are best placed to manage the estate's tax liabilities. This approach ensures that Fund Officers are not diverted

from their core responsibilities. A feasible alternative is to maintain the current model, where the executor handles all aspects of estate accounting.