



30 Monck Street
London
SW1P 2AP

T: 020 7340 0551
E: info@att.org.uk
W: www.att.org.uk

SIMPLIFICATION OF INHERITANCE TAX

Representation by Association of Taxation Technicians in respect of Autumn Budget 2025

1 Introduction

- 1.1 Inheritance tax is a very complex relief for those affected by it. We have two suggestions for simplifying it - both of which will come with a tax cost, but would result in a fairer system, with people better able to understand more clearly when they are likely to have IHT to pay. Any simplification should also create administrative savings for HMRC. As HMRC is currently working to digitalise the IHT system by April 2027, it would make sense to simplify the IHT system as far as possible before the new service is fully developed and launched.
- 1.2 The primary charitable objective of the ATT is to promote education and the study of tax administration and practice. We place a strong emphasis on the practicalities of the tax system. Our work in this area draws heavily on the experience of our members who assist thousands of businesses and individuals to comply with their taxation obligations. This response is written with that background.

2 Our recommendations

- 2.1 The new £1 million allowance for 100% Agricultural Property Relief (APR) and Business Property Relief (BPR) should be transferable between spouses, in common with the existing Nil Rate Band (NRB) and Residential Nil Rate Band (RNRB). Without this change, many small business owners and farmers will be forced into using more complex planning, often involving trusts, to ensure that their allowances are not wasted.
- 2.2 Provision should also be made for the £1 million allowance to be uplifted for individuals whose spouses die before 6 April 2026. Without this, widows and widowers will be unduly affected when the rules take effect as they will only have one allowance, compared to the two allowances that would have been available had their spouse or civil partner lived. A similar approach was taken on the introduction of the RNRB, where bereaved spouses and civil partners were given some uplift to their own RNRB to reflect an element of the entitlement they could have inherited, had their spouse or civil partner not died before the RNRB was introduced.
- 2.3 We further suggest that the provisions which introduced the RNRB in 2017 are removed, and the NRB uplifted from £325,000 to £500,000 to compensate. This would come at a cost, but bring significant simplification. Otherwise, as further changes bring unused pension assets and death benefits into scope from April 2027, many more families will find themselves having to grapple with these complex provisions. The interaction between RNRB and the 100% APR/BPR allowances will also be unnecessarily complex.

3 Background to our recommendations regarding new £1 million allowance for 100% Property Reliefs

- 3.1 For the last three decades, the standard advice to farmers and landowners has been to hold on to assets and pass them via death. While we can appreciate there are merits in amending the system to encourage farmers to pass on assets earlier, for many older farmers there is now too little time to make gifts and survive the necessary seven years for the value to come out of their estate. Some individuals will be unable to amend their wills due to the cost of obtaining advice or lack of mental capacity and will not be able to take action to minimise the impact on their affairs. Making the allowance transferable and making provision for additional relief where a spouse has predeceased could help to mitigate some of the cliff edge effect of the proposed changes.
- 3.2 If the allowance is not made transferrable, we expect that many couples will opt to create trusts on the first death which increases complexity and ongoing administrative burdens for both families and HMRC.

4 Background to our recommendation regarding the Residential Nil Rate Band

- 4.1 The NRB is available to all individuals and represents the amount of the estate that can be passed down on death without IHT applying (subject to any restrictions arising due to lifetime gifting). It is currently set at £325,000. The RNRB was introduced in April 2017 as part of a policy designed to make it easier to pass the family home down the generations. It can be claimed in addition to the existing NRB where the estate includes a residential property which is left to descendants of the deceased. Like the NRB, unused RNRB can be transferred to a surviving spouse. However, unlike the NRB it only applies on death and not to lifetime gifts.
- 4.2 The RNRB is worth up to £175,000 - or the value of the qualifying property held in the estate if less. The RNRB is tapered (reduced) by £1 for every £2 that the total estate exceeds £2m. No RNRB is available once the estate exceeds £2,350,000.
- 4.3 For an estate to be able to claim RNRB again the value of residential property the following conditions must be met
- The residential property has been the individual's main residence at some point during their ownership.
 - The property is 'closely inherited' -i.e. it is left to the direct descendants of the deceased (including step, adopted and fostered children) and/or their spouses.
- 4.4 Where a property has been sold during the lifetime of the deceased and the proceeds of the property are left to their descendants, the RNRB may still be available through complex 'downsizing' provisions. These are required as otherwise an individual selling a property to move into care or a less expensive property in older age, would lose the relief.
- 4.5 The creation of the RNRB has introduced substantial complexity into the administration of IHT. The provisions are not clear or easy to understand. It also creates distortions, as two estates of equal value can have different IHT liabilities depending on the value of residential property held by the deceased and whether or not they have children who are inheriting that property.
- 4.6 We consider that removing the RNRB and increasing the NRB to compensate would make the IHT system simpler and fairer.

5 Contact details

- 5.1 We would be pleased to join in any discussion relating to this representation. Should you wish to discuss any aspect of this representation, please contact our relevant Technical Officer, Helen Thornley on atttechnical@att.org.uk.

The Association of Taxation Technicians

6 October 2025

6 Note

- 6.1 The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government, and academia.

The Association has more than 10,000 members and Fellows together with over 7,000 students. Members and Fellows use the practising title of 'Taxation Technician' or 'Taxation Technician (Fellow)' and the designatory letters 'ATT' and 'ATT (Fellow)' respectively.