CRP® TECHNICAL BRIEFING

CENTRALISED RETIREMENT PROPOSITION

Inheritance Tax on Pensions: the Final Rules for April 2027

What the confirmed HMRC technical note means for executors, beneficiaries and CRP® adviser firms

JULY 2026

Source	HMRC Technical Note — Inheritance Tax on Pensions (gov.uk)
Legislative basis	Finance Act 2026, Royal Assent 18 March 2026
Effective date	Deaths on or after 6 April 2027
Audience	CRP® adviser and paraplanner network
Status	Final technical note — implementation guidance continuing through 2026

Prepared for Centralised Retirement Proposition (CRP®) adviser firms · Money Wise UK

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1. Executive Summary

From 6 April 2027, most unused pension funds and pension death benefits will form part of the deceased's estate for Inheritance Tax purposes. Finance Act 2026 gained Royal Assent on 18 March 2026, and HMRC's technical note now confirms the operational detail for personal representatives, pension scheme administrators and beneficiaries.

The final rules close down several points that were previously open to speculation, most significantly on relief eligibility and the interaction between IHT and income tax on death benefits. This briefing sets out what has changed, what is now confirmed, and what CRP® adviser firms should be doing with clients between now and implementation.

HEADLINE FOR CRP® FIRMS

No reliefs apply to pension IHT. Business Property Relief, Agricultural Property Relief, loss on sale relief and the instalment option are all confirmed as unavailable. Pension wealth held in a SIPP or SSAS gets no shelter that equivalent assets held directly would receive.

2. What Changes on 6 April 2027

2.1 Scope

Most unused pension funds and pension death benefits are brought within the value of the deceased's estate for IHT purposes. This applies regardless of whether the scheme administrator or trustees hold discretion over payment of death benefits. HMRC treats the individual as having beneficial ownership of "notional pension property" (NPP) immediately before death.

2.2 Who is responsible

Responsibility for reporting and paying IHT sits with the personal representative (PR), not the pension scheme administrator (PSA). This followed industry pushback: PSAs raised concerns that they have no visibility of the wider estate, no contact details for PRs or beneficiaries, and may not learn of a death for months.

2.3 What remains exempt

- Transfers to a surviving spouse or civil partner who is a long-term UK resident (may still require reporting)
- Registered charity beneficiaries — and estates leaving at least 10% to charity may qualify for the reduced 36% rate
- Death-in-service benefits — but only where tied to current employment; deferred benefits from a previous employer do not qualify
- Continuing nominee/successor annuities designed to provide ongoing income rather than a wealth transfer

3. Reliefs: The Position Is Now Settled

This is the area where the final technical note gives most clarity, and it is not the outcome many in the industry hoped for.

Relief or mechanism	Confirmed position
Business Property Relief	Not available. Business assets in a SIPP or SSAS are valued in full, even where equivalent direct holdings would qualify.
Agricultural Property Relief	Not available, on the same basis as Business Property Relief.
Loss on sale relief	Not available on notional pension property.
Instalment option	Not available. IHT on pension property cannot be spread over instalments as with some other estate assets.
Quick succession relief	Standard 5-year rule applies; no enhanced or separate mechanism for pension property.
Reduced charitable rate (36%)	Available, but notional pension property sits in the general component only, alongside other estate assets.

Rationale: the member is not treated as owning the pension's underlying assets, only the notional pension property itself. None of the reliefs that attach to underlying business or agricultural assets can therefore transfer through to the NPP charge.

This closes off any AIM portfolio-in-SIPP planning that relied on Business Relief surviving inside a pension wrapper. It did not.

4. The Reporting and Payment Process

4.1 Timeline

Within 28 days of PR request	Scheme administrator must provide the notional pension property valuation (estimates permitted)
Within 14 days of final figure	Scheme administrator confirms the exact valuation once known
6 months from date of death	Standard IHT payment deadline continues to apply to the whole estate, including pension property
Up to 15 months from month-end of death	Maximum duration of a withholding notice
35 days from valid payment notice	Scheme administrator must pay IHT/interest directly to HMRC
Within 3 months of final lump sum payment	Scheme administrator must report lump sum and death benefit allowance usage to the PR

4.2 Two separate notice mechanisms

WITHHOLDING NOTICE

Given by the PR (or prospective PR) to a scheme administrator. Restricts payment to no more than 50% of a beneficiary's entitlement, for up to 15 months after the month-end of death. Used only where IHT is reasonably believed to be due — not as a routine precaution. Cannot be given once the IHT charge has already been paid.

PAYMENT NOTICE

Given by the PR or a beneficiary directly to instruct the scheme administrator to pay IHT and any interest straight to HMRC. Minimum threshold of £1,000. The scheme administrator must settle within 35 days of a valid notice. This route can be used even before probate is granted.

4.3 Liability and joint exposure

Once notional pension property vests in a beneficiary, that beneficiary becomes jointly and severally liable with the PR for the associated IHT. This is a meaningful point for client conversations: beneficiaries carry real exposure, not just the executor.

A pension scheme administrator can itself become directly liable to HMRC where it pays benefits in breach of a withholding notice, or fails to comply with a payment notice request.

4.4 Identity verification before probate

From April 2027, scheme administrators must share information and respond to notices before a grant of probate is issued. PRs and prospective PRs will need to provide evidence of identity earlier than under current practice — typically the will and codicil naming the executor, proof of identity, a death certificate, and a signed declaration of acceptance. Where no will exists, different rules apply across England and Wales, Scotland, and Northern Ireland.

5. Interaction With Income Tax

Where IHT is settled through a payment notice, the scheme administrator reduces the benefit paid to the beneficiary accordingly, so income tax is then charged net of the IHT already accounted for. This avoids a straightforward double charge, provided the payment route is followed correctly — it is a process point for advisers to get right on a client's behalf, not something that resolves itself automatically.

Where a member died aged 75 or over and benefits pass to someone other than a spouse or civil partner, income tax still applies to the beneficiary's drawdown or lump sum on top of any IHT due, so the combined effective rate can be high. Modelling this combined position is now an essential part of retirement income and legacy planning conversations.

6. What Has Not Changed

- The normal expenditure out of income exemption is unaffected. HMRC has confirmed lifetime gifts funded from pension withdrawals are tested against the usual three-part criteria, with no new restriction introduced.
- Death-in-service benefits linked to current employment remain outside IHT entirely.
- The overall six-month IHT payment deadline for the estate is unchanged.
- A certificate of discharge continues to protect PRs against pensions discovered after distribution, with beneficiaries remaining liable on anything found later.

7. Late Submission Penalties, and Why Pensions Raise the Stakes

7.1 The existing penalty regime

HMRC's penalty rules for late IHT accounts (IHTM36023) already apply to every estate, and they do not change with the pension reforms — but pensions make them far more likely to bite. The standard penalties are:

- £100 initial penalty for late delivery of the account
- A further £100 if the account is delivered between 6 and 12 months after the deadline
- Up to £3,000 if delivery is more than 12 months late, scaled by the tax at stake — £10 to £400 per month depending on the size of the liability, on top of the initial £200
- Penalties following an HMRC enquiry start at £1,000 plus the standard penalties above

All of these carry a reasonable excuse defence, and the section 245(2)(a)/(3) penalties are capped at the tax actually due. The section 245(4A) penalty for delays beyond 12 months is not capped by the tax due and can reach £3,000 regardless of the amount at stake.

WHY THIS MATTERS MORE FROM APRIL 2027

The six-month deadline to deliver the IHT account has not moved. But pensions add a chain of dependencies — scheme valuations, discretionary beneficiary decisions, identity checks before probate — that did not exist when pensions sat outside the estate. Any delay in that chain now risks a late account, and a penalty, on the whole estate.

7.2 Where the pension-specific delay risk sits

- Multiple schemes, multiple timelines — each PSA has 28 days to value notional pension property, but an estate with several pensions means several parallel 28-day clocks, any one of which can slip
- Discretionary death benefits take longer to settle — where a scheme has discretion over who receives benefits, that decision has to be made before the exempt/non-exempt split is known, which can hold up the whole valuation
- Identity verification before probate is untested — PRs must satisfy PSAs of their identity before a grant is issued, and this is a new process with no track record yet of how quickly schemes will respond

- Withholding and payment notices add coordination overhead — someone has to decide whether to use them, and by when, on top of the underlying valuation work
- More moving parts, more room for a missed deadline — an estate that would previously have been a straightforward six-month job now has pension valuations sitting on the critical path

7.3 Early engagement is now the key mitigation

Because none of the pension-specific delays are within the PR's direct control, the only real safeguard is starting the process as early as possible, and involving the right people from the outset — not waiting until probate is underway.

- Executors need to be briefed before the need arises — many will not know they can request pension valuations as prospective PRs, before a grant of probate is issued
- Solicitors handling probate need pension exposure flagged early — so valuation requests go out to every scheme as soon as possible after death, not once other estate administration is underway
- Beneficiaries need to understand the timeline — particularly that a withholding notice may restrict what they receive in the short term, and why
- Advisers are well placed to hold this together — CRP® firms typically know the full pension picture for a client already, which puts them ahead of an executor or solicitor starting from scratch

PRACTICAL TAKEAWAY

Build a simple pension inventory into every client's estate documentation now: provider, scheme type, and a note for executors on requesting a valuation as a prospective PR. This alone will shave weeks off the process when it matters, and materially reduce the risk of a late account penalty landing on the estate.

7.4 Complaint and liability risk for advisers

There's a wider point for CRP® firms to weigh up here. Advisers are usually the party best placed to know a client's full pension picture, well before an executor or solicitor is even appointed. If a penalty or an FCA complaint follows a late or badly handled IHT account, and it emerges the adviser held the relevant pension information but didn't pass it on or prompt early action, that's a difficult position to defend.

This shifts the practical onus towards advice firms, not just executors. Consumer Duty expectations already push in this direction — firms are expected to act to avoid foreseeable harm, and a foreseeable penalty or family dispute over a late account, where the firm held information that could have prevented it, fits that description.

RISK TO MANAGE

Document that pension information and early-engagement prompts were shared with the client, their executors, and where relevant their solicitor. This protects both the client's estate and the firm, and turns early engagement from good practice into a demonstrable part of the advice process.

8. Action Points for CRP® Adviser Firms

8.1 Client reviews to prioritise

- Clients holding commercial property or trading assets in a SIPP or SSAS — review structure now given the confirmed loss of Business Property Relief and Agricultural Property Relief
- Clients with AIM portfolios inside a SIPP held for Business Relief purposes — the planning rationale for holding them there has gone
- Clients over 75 nominating non-spouse beneficiaries — model the combined IHT and income tax position before assuming current nominations still make sense
- Clients using pensions primarily as a wealth transfer vehicle rather than for retirement income — the core rationale for that strategy no longer holds from April 2027

8.2 Process and governance

- Update fact-finds to capture full pension scheme details, valuations and current nominations for every client, ready for scenario modelling
- Build IHT-inclusive-of-pensions modelling into CRP® retirement income reviews as standard from this cycle onwards
- Revisit letters of wishes and executor appointments — ensure clients have chosen executors capable of managing multi-scheme pension reporting, or have professional support in place
- Coordinate with clients' legal advisers so wills, trusts and nominations are aligned to the new framework, not just the pension paperwork
- Build liquidity planning into advice as standard — life policies written in trust, earmarked cash reserves, or partial drawdown timed around probate milestones
- Engage executors, solicitors and beneficiaries early and together — don't wait for probate to begin before pension exposure is flagged; late engagement is now a direct penalty risk, not just an inconvenience

8.3 Client communication

- Begin proactive client communication now — this is not a 2027 problem, decisions taken today shape the eventual tax position
- Be ready to explain, in plain terms, that pension wealth no longer sits outside the estate by default
- Flag the beneficiary liability point directly — clients often assume the executor absorbs all of this; adult children and other beneficiaries need to understand their own exposure

SOURCES

HMRC, Technical Note: Inheritance Tax on Pensions, gov.uk. Finance Act 2026. HMRC Inheritance Tax Manual, IHTM36023 — Late accounts: penalties chargeable.

NOTE

This briefing reflects the position as published and is provided for professional adviser use within the CRP® network. It is not advice to any individual client and does not remove the need to review guidance updates through 2026 and spring 2027.