



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Kathryn Cearns and Bill Dodwell
Office of Tax Simplification
1 Horse Guards Road
London
SW1A 2HQ

23 March 2021

Dear Kathryn and Bill,

OFFICE OF TAX SIMPLIFICATION REVIEW OF INHERITANCE TAX

On behalf of the Chancellor of the Exchequer, I want to thank you very much for your reports covering Inheritance Tax, and to update you on progress made in respect of your first Inheritance Tax report, on the tax and its administration.

I recognise the high degree of public engagement the report has generated. It provides a very valuable insight into improving the administration of Inheritance Tax.

In particular, the Government strongly supports key recommendations in the report. It has announced today that it will:

- change reporting regulations so that from 1 January 2022 over 90 per cent of non-taxpaying estates each year will no longer have to complete Inheritance Tax forms for deaths when probate or confirmation is required; and
- make permanent the ability for those dealing with a trust or estate to provide an Inheritance Tax return without requiring physical signatures from all others involved, easing the administration burden in cases where an Inheritance Tax return is still required.

I have asked my officials to continue work on the remaining recommendations: for digitisation, improving processes for lifetime and trust charges, guidance, and working with court services. Some of these are longer term in nature, and will be taken forward as part of the wider Tax Administration strategy.

The Government will respond to the recommendations made in your second Inheritance Tax report on simplifying the design of inheritance tax in due course.

Thank you again for the most valuable work you and your team have done in this area.

As ever,

A handwritten signature in black ink, appearing to read 'Jesse'.

RT HON JESSE NORMAN MP

ANNEX: GOVERNMENT’S RESPONSE TO THE OFFICE OF TAX SIMPLIFICATION’S (OTS) FIRST REPORT ON INHERITANCE TAX (IHT): OVERVIEW OF THE TAX AND DEALING WITH ADMINISTRATION

	Office of Tax Simplification recommendation	Government response
1	The government should implement a fully integrated digital system for IHT, ideally including the ability to complete and submit a probate application.	Consider – The Government accepts the case that digitisation of IHT would be a positive step forward for those dealing with a death; and is committed to building a trusted and modern tax system, underpinned by integrated, fully modern, digital services, as set out in its Tax Administration strategy. The Government will need to balance this recommendation against other short and long-term priorities for the digital transformation of taxes.
2	Pending implementation of a digital system, HMRC should make changes to the current forms to reduce and simplify the administration of estates including introducing a very short form for the simplest estates and updating the conditions that must be met to be able to complete a short IHT form.	Accept – The Government agrees that IHT burdens should be reduced for the simplest estates. Rather than introducing a short IHT form, the Government has announced that it will remove over 90% of those estates that have no IHT to pay from the need to report to HMRC when applying for probate. The Government will keep under review other ways of reducing and simplifying the administration of estates.
3	HMRC should carry out a general review of all its IHT guidance with the aim of it being: <ul style="list-style-type: none"> - targeted to reduce concern for those who worry unnecessarily - clear, consistent and easy to navigate - linked or located with other relevant guidance, including probate - expanded to include worked examples, a road map, timescales and a tax calculator - sufficient for complex estates to apply the law correctly 	Accept – HMRC have started work with the Government Digital Service to review the online guidance in line with the OTS’s recommendations to reduce worry for those who do not have any IHT to pay; and to enable those that do to establish this quickly and easily. As part of this HMRC are trialling a new online guidance tool to be published later this Spring, to help individuals more readily identify whether they have tax to pay, and if so, what the next steps are.

4	<p>HMRC should introduce a system issuing automated payment receipts and, if necessary, further refine the recently introduced 12 week response period, during which any enquiries into the information contained on the form will be made.</p>	<p>Accept – Since the report was published all customers now make electronic payments for IHT so will have a record of payments made. HMRC are reviewing whether payment receipts can be issued from existing IT systems; and report that the ‘12 week’ response period currently in place for death estates is working well.</p>
5	<p>HMRC should liaise with HMCTS on options for streamlining the payment and probate process.</p>	<p>Accept – The Government agrees that joined up tax administration and probate services, with seamless hand-offs, is key to improving support for those dealing with a death, reducing duplication and burden. Since the OTS’s report, the process for providing confirmation to HM Courts and Tribunal Services (HMCTS) that IHT has been paid has been streamlined. HMRC now give the confirmation directly to HMCTS, rather than sending it back to the customer for them to provide it to HMCTS, improving the taxpayer journey.</p>
6	<p>HMRC should review the requirement for trustees to submit forms when no IHT is due, and no reliefs or exemptions are claimed.</p>	<p>Accept – The Government accepts that reducing reporting requirements for low value lifetime returns, is the right approach. All returns for lifetime charges and trusts will benefit from the changes that have been announced to remove the need for a physical signature on IHT returns. Additionally, and in-line with the OTS’s recommendation, later this year HMRC intend to introduce a similar commitment to the review period the OTS commended for death estates, to these returns. HMRC are continuing to explore what more can be done for trustees to reduce reporting requirements where no tax is due;</p>
7	<p>Until a digital system can be implemented, HMRC should make changes to the existing form for lifetime charges and trusts. These include:</p> <ul style="list-style-type: none"> - splitting up the current form so there is a simple and tailored form for each occasion; - improving the guidance available for completing the form and calculating the tax; and - aligning the signature requirements for trustees with other parts of the tax system. 	

8	HMRC should introduce a system issuing automated receipts for IHT100 forms and IHT payments made alongside the form, and consider introducing a review period during which an enquiry into the information contained on the IHT100 form will be initiated.	automate systems; and provide certainty.
---	--	--