



HM Revenue
& Customs

Inheritance Tax: exemption for emergency service personnel

Summary of Responses
December 2014

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1. Executive Summary

Introduction

- 1.1 In his Budget Speech on 19 March 2014, the Chancellor announced that the government would consult on extending the existing Inheritance Tax (IHT) exemption for members of the Armed Forces whose death is caused or hastened by injury while on active service to members of the emergency services.
- 1.2 IHT rules already grant an exemption to the estates of members of the armed forces whose death can be attributed to, or is hastened by, injury or illness suffered whilst on active service. The legislation is at section 154 of Inheritance Tax Act 1984 (IHTA). This provides an exemption from IHT for assets that pass on the death of a current or former member of the armed forces who dies as a result of a wound, accident or disease inflicted when they were on active service or other service of a warlike nature.
- 1.3 An Extra Statutory Concession extends the relief from IHT under section 154 IHTA 1984 to the estates of members of the Police Service of Northern Ireland who die from injuries caused in Northern Ireland by terrorist activity.
- 1.4 This document responds to the consultation: *Inheritance Tax: exemption for emergency service personnel* – published in July 2014.
- 1.5 HMRC is very grateful to all those who responded or participated in meetings (listed in Annex A) for taking the time to consider the issues raised by the consultation document.

Aim of the consultation

- 1.6 The purpose of the consultation was to seek views on:
 - the possible options for introducing an extension to the exemption for Armed Forces personnel who die on active service to all emergency services personnel who die in active service or whose death is hastened by injury or illness incurred responding to an emergency;
 - who should be included;
 - what the exemption should cover; and
 - how the exemption should be administered.

Overview of the responses

- 1.7 HMRC received 20 responses from a number of different representative groups, individuals and other organisations.

- 1.8 All but one respondent supported the introduction of the exemption.
- 1.9 A number of suggestions were made regarding what the definition of emergency circumstances should be and who it should cover. Suggestions included search and rescue services such as the RNLI, medical personnel, volunteers working alongside frontline agencies and humanitarian aid workers.
- 1.10 In relation to defining responding to an emergency or “emergency circumstances”, most respondents felt that the proposed definition did not necessarily go far enough. They suggested the circumstances should include amongst other things, individuals responding and returning from the scene of an emergency, the present or imminent death of an individual, the rescue of animals, and serious harm to the environment.
- 1.11 All of those that responded agreed that individuals in the Armed Services should receive the same exemption as other emergency responders if they were responding to emergency circumstances. It was also suggested that the exemption should be expanded to include humanitarian aid workers responding to humanitarian emergencies, where individuals are often putting their own lives at risk in a similar way.
- 1.12 All respondents commented that relief should be given for potentially exempt transfers (PETs). Most of them also suggested that immediately chargeable lifetime transfers should also be exempt.
- 1.13 There were a number of different suggestions as to who should be responsible for making decisions about who qualifies as an emergency responder and the circumstances involved. Suggestions included the Ministry of Defence, the Association of Chief Police Officers and the Joint Casualty and Compassionate Centre.
- 1.14 The detailed responses to the consultation are set out in the next chapter.

Government announcement at Autumn Statement 2014

- 1.15 On 3 December 2014, the government announced it will extend the existing IHT exemption for members of the Armed Forces whose death is caused or hastened by injury while on active service to members of the emergency services and humanitarian aid workers responding to emergency circumstances.

Next steps on the legislation

- 1.16 Draft legislation for inclusion in Finance Bill 2015 on the inheritance tax exemption for emergency services personnel and humanitarian aid workers who die or whose death is hastened as a result of responding to emergency circumstances was published on 10 December for technical consultation, and we would welcome comments. We will consider representations and if

necessary we will review and amend that legislation once the consultation closes on 4 February 2014.

- 1.17 Legislation on the inheritance tax exemption for emergency service personnel and humanitarian aid workers will be in Finance Bill 2015.

2. Responses

- 2.1. In this chapter we set out the questions asked in the consultation and provide some detail on the responses received. We follow the order in the consultation document and include the original sub-headings to assist. Each section sets out the main themes that emerged during the consultation, before setting out how we are taking forward the issues and ideas raised.

Definition of emergency service personnel

Question 1: Will this definition of ‘emergency service personnel’ include everyone who should be included within this description? If not, which groups have been excluded and why should they be included?

- 2.2. Most respondents who commented suggested that the definition should be widened further.
- 2.3. The suggestions were wide ranging but some of the responses included emergency service personnel that are murdered due to their status, members of humanitarian/aid agencies, doctors on call, voluntary coastal rescue organisations and all cliff rescue bodies. Other suggestions included civilians who die as a result of a terrorist attack, all members of the voluntary sector working alongside front line agencies, members of the RAF/Royal Navy engaged on rescue missions and those who are not within a recognised body but who die as a result of carrying out a recognised activity such as an innocent person who becomes involved in assisting with a rescue.
- 2.4. One respondent commented that the proposed definition of ‘emergency service personnel’ indicated a territorial link arising by association with a relevant UK organisation. The respondent questioned whether such a restriction was appropriate but commented that if a territorial restriction is to be applied this should be made explicit. In response to this, HMRC can confirm that there is no territorial link to the exemption
- 2.5. The Government has considered the responses and taken a pragmatic view in determining who is classified as ‘emergency service personnel’. ‘Emergency responder’ means a person who is employed or engaged to provide fire, search and/ or rescue, medical, ambulance or paramedic services, whether paid or not; and a person transporting organs, blood, equipment or personnel for the NHS. This will include volunteers for specialist rescue services where they are engaged by the police, fire and rescue services.

Humanitarian Aid workers

- 2.6. Specialist search and rescue teams who are ‘emergency responders’ often work outside the UK in the aftermath of disasters but where that is a short-term, rapid response it would fall within the definition of ‘emergency circumstances’ and they

would already qualify for the exemption. One representative group suggested that the definition should be extended beyond those in the emergency services to other roles where lives can be at risk, highlighting those providing humanitarian aid. For example medical personnel who die from the Ebola virus while assisting efforts in West Africa or those assisting in the numerous humanitarian crises in the Middle East.

- 2.7. The Government has considered these representations and agrees that individuals who lose their lives undertaking humanitarian missions to protect others from life threatening situations should be exempt from paying inheritance tax. The exemption will apply to all humanitarian aid workers providing assistance on behalf of the government, international organisations and charities whose death is caused or hastened by injury responding to emergency circumstances.

Definition of emergency circumstances

Question 2: Will this definition of ‘emergency circumstances’ cover all the circumstances which meet the Government’s objective of providing broad parity with the existing exemption for the armed services? If not, what definition would be suitable?

- 2.8. One respondent agreed with HMRC’s proposed definition. Another stated that the definition seemed to go further than its proposed intention of applying only to those who die while ‘putting their lives on the line’. The respondent commented that the current definition appeared to include people who die accidentally while responding to an emergency but that this is no greater risk than the rest of the population.
- 2.9. The majority of respondents stated that the definition of ‘emergency circumstances’ was too narrow and there were a number of proposals for widening the definition.
- 2.10. Respondents suggested that ‘emergency circumstances’ should include responding to and returning from the scene of an emergency. Some respondents suggested that it should also include reported or perceived emergency circumstances. Respondents commented that for many emergency service personnel, routine or operational calls and events can quickly change to become emergency circumstances.
- 2.11. A number of respondents stated that relief should be available to emergency service personnel whether on or off duty. One particular example given was Police Officers who are expected to discharge the duties of the Office of Constable at all times. A number of respondents stated that the definition should also include individuals who are targeted by terrorists because of their job irrespective of whether they are responding to ‘emergency circumstances’ or not. It was also proposed by one respondent that the exemption should be extended to include civilians who die as a result of a terrorist attack.

- 2.12. Two respondents suggested that ‘emergency circumstances’ should include training for emergency situations. Another stated that the current definition only made reference to animal welfare arising from harm to the environment; they proposed that animal rescue should be a particular ‘emergency circumstance’.
- 2.13. The Government has considered all of these representations and is of the view that ‘emergency circumstances’ include the present or imminent death of a person; serious injury or illness to a person; serious harm to the environment (including the life and health of plants and animals); or, serious harm to a building or other property. The Government agrees that responding to emergency circumstances should include travelling somewhere for the purposes of dealing with or preparing to deal with an imminent emergency or the immediate aftermath of emergency circumstances. It does not consider this should be extended to training, which is a more controlled environment when emergency responders’ lives should not be placed at risk in the same way as responding to an emergency under conditions that cannot be controlled.
- 2.14. With regard to those who are deliberately targeted because of their status (the job that they are doing) the Government has targeted this exemption at members of the Armed Forces and the police because of their specific role in defending the nation at home and abroad.

Armed forces personnel responding to emergency circumstances

Question 3: Will extending the qualifying circumstances for Armed Forces personnel to include responding to emergency circumstances cover all the circumstances which should qualify? If not, what definition would be suitable?

- 2.15. There were few responses to this question but all respondents agreed that Armed Forces personnel should also qualify for an exemption when they are responding to ‘emergency circumstances’.
- 2.16. One respondent suggested that the restriction to active service should be removed so that the relief applies to any personnel who are in service. Another suggested that a wider definition would be more appropriate to account for Armed Forces personnel working in joint operations with other emergency services. The respondent commented that whilst working in conjunction with other emergency services this may result in incidents and fatalities for Armed Forces personnel which are not as a direct result of responding to an emergency situation, including terrorist activity or being targeted by other such dangerous individuals. A further respondent agreed that it is appropriate to extend the relief to members of the Armed Forces operating in similar circumstances as emergency service personnel. The respondent further proposed that the qualifying circumstances should also include humanitarian missions abroad.
- 2.17. The Government agrees that Armed Forces personnel should qualify for the exemption where they are responding to emergency circumstances.

2.18. The Government will also provide an exemption for Armed Forces personnel and constables whose death, whilst not on active service, is caused or hastened by injuries they suffer as a result of being deliberately targeted and attacked because they are members of the Armed Forces.

Lifetime transfers

Question 4: Should the exemption include the liability that may arise on potentially exempt lifetime transfers which would otherwise become chargeable at death?

2.19. There were 8 responses to this question. One respondent commented that the situation for the Armed Forces should be retained and mirrored for emergency service personnel. The 7 remaining respondents all agreed that it was logical the exemption should include the liability that may arise on potentially exempt lifetime transfers.

2.20. One respondent said that this relief should be retrospective and transfers in lifetime for deaths occurring before 19 March 2014 should also be included. The exemption will not be made retrospective.

2.21. The Government agrees that the scope of the exemption is extended so that potentially exempt transfers made during a person's lifetime will not become chargeable on death and no additional Inheritance Tax will be payable.

Immediately chargeable transfers

Question 5: Should the exemption include the additional liability arising on death for immediately chargeable lifetime transfers?

2.22. One respondent commented that the situation for the Armed Forces should be retained and mirrored for emergency service personnel. The remaining respondents all agreed that the exemption should be extended to include the additional liability arising on death for immediately chargeable lifetime transfers.

2.23. The current legislation does not exempt immediately chargeable lifetime transfers and the Government's view is that this position should be maintained. People making immediately chargeable transfers are doing so at a time when they are alive and fully aware of what they are doing and the consequences. The exemption is given because the tax liability arises as a result of an unplanned for event; no-one plans to die when responding to an emergency.

Administration

Question 6: For each emergency service, which would be the best organisation or agency to be the decision maker?

- 2.24. There was a consensus from some respondents that there should be a central decision making body and the fewer organisations involved in the decision making process the better. One respondent proposed that the decision maker should be drawn from all jurisdictions.
- 2.25. Some respondents suggested that the decision maker should be the MOD as it is now. One suggested that the MOD should work in conjunction with the HR/pensions departments of each emergency service. Another recommended that consideration should be given to creating a simple appeal tribunal to consider appeals where the MOD decides on the non-application of the relief.
- 2.26. Two respondents proposed the Home Office as decision maker. Another recommended the Joint Casualty and Compassionate Centre as the central decision maker as they have the necessary expertise. One respondent recommended The Maritime and Coastguard Agency for dealing with Coastguard cases under the oversight of the Department of Transport.
- 2.27. One respondent stated that if there was a decision maker for each emergency service the Association of Chief Police Officers with a panel of members from all jurisdictions and staff associations would be best placed to review and ensure consistency for policing. Another stated that they were unable to identify an existing organisation or agency that was suitable to undertake the decision making process on a UK wide basis for the police service.
- 2.28. Quite clearly from the responses received it will be difficult to appoint a single independent body that could review all decisions concerning who would qualify as an emergency responder and whether that person was responding to emergency circumstances. In the circumstances, The Government's view is that HMRC will be responsible for administering the exemption for all cases with the exception to those relating to the MOD.
- 2.29. Details of the evidence that will be necessary to show that the exemption is due will be set out in HMRC guidance.

Question 7: Is there an alternative approach to the administrative arrangements and why do you recommend it?

- 2.30. There were very few responses to this question but of those who did respond, each proposed a different administrative arrangement.
- 2.31. One respondent recommended that consideration should be given for the compliance management of this exemption in respect of the police, fire, and ambulance services, under each of these services' own charitable trusts. They recommended this on the basis that each trust would be well placed to support

the families in need of assistance. They further recommended that if it is considered necessary to maintain a single administrative agency it may be appropriate for one of the larger trusts to be tasked with the role with the support of the other trusts and the MOD as required.

- 2.32. One respondent commented that there is no single Government Department with overall responsibility for search and rescue. However, if there was, this would be the best agency to deal with all potential claims and other issues connected to search and rescue.
- 2.33. In order for the exemption to be applied consistently across the UK one respondent proposed that a UK panel is established to decide on cases in the police service. They recommended that membership should be drawn from all 3 jurisdictions. Another respondent also stated that decisions should be made by a body directly connected to policing.

Equality Impact Assessment and other impacts

Question 8: Do you have any comments on the assessment of equality and other impacts?

- 2.34. There were very few comments on the assessment of equality and other impacts.
- 2.35. One respondent commented that whilst the number of cases eligible for the relief and the cost to the exchequer would be minimal the proposal is welcomed. Another respondent expressed their concerns that there was a general lack of awareness of the exemption. They stated that this may result in a number of estates being administered without making a claim, resulting in some families paying IHT where there is potentially no liability. They further expressed concerns that whilst there is no time limit on claiming the relief, tax legislation imposes a time limit on claiming a refund of IHT that has already been paid. The respondent proposed that there should be no time limit imposed for this exemption. They further suggested that for periods outside of the normal IHT time periods of four years for making an IHT refund, no interest payments should be payable after this period has elapsed. The respondent also proposed that the relief on death should be transferable to a surviving spouse or civil partner as an automatic entitlement.
- 2.36. The exemption is not one that can be transferrable between spouses/civil partners. It will only apply to emergency responders who lose their lives or whose death is hastened by injury or illness incurred responding to emergency circumstances.

3. Next steps

Further consultation

- 3.1. Draft primary legislation for inclusion in Finance Bill 2015 on the Inheritance Tax exemption for emergency service personnel and humanitarian aid workers was published on 10 December for technical consultation; we would welcome comments. If necessary we will review and amend that legislation once the consultation closes on 4 February 2014.
- 3.2. Legislation on the inheritance tax exemption for emergency service personnel and humanitarian aid workers will be in Finance Bill 2015.

Annexe A: List of stakeholders responding to the consultation

Association of Accounting Technicians
Association of Air Ambulances Ltd
British Cave Rescue Council
Department of Health
Department of Justice (Northern Ireland)
Greater Manchester Police Federation
Maritime & Coastguard Agency
Northern Ireland Prison Service
Police Federation of England and Wales
Police Federation for Northern Ireland
Police Service Northern Ireland
Radio Society Great Britain Communications Committee
South Yorkshire Police
The Chartered Institute of Taxation
The Law Society of Scotland
The Institute of Chartered Accountants in England and Wales
Welsh Government
3 Individuals