



Inheritance tax: extending exemption for medals and other awards

Who is likely to be affected?

People in the armed forces, police, fire brigade, ambulance service and personnel in other “first response” organisations and individuals recognised by the Crown for their achievements and service in public life.

General description of the measure

The measure extends the exclusion from inheritance tax (IHT) that applies to medals and other decorations that are awarded for valour and gallantry to all decorations and medals awarded by the Crown or by another country or territory outside the UK to the armed forces, emergency services personnel and to individuals in recognition of their achievements and service in public life.

Policy objective

The measure will provide that all medals and decorations awarded by the Crown or by a country or territory outside the UK to armed forces personnel, emergency services personnel or to individuals for public service or achievement in public life will be treated as excluded property and therefore not be subject to IHT.

Background to the measure

This measure was announced at Autumn Statement 2014.

Detailed proposal

Operative date

The revised legislation will have effect in relation to transfers of value made or treated as made on or after 3 December 2014.

Current law

Excluded property is defined in section 6 of the Inheritance Tax Act (IHTA) 1984. Section 6(1B) says that a decoration or award is excluded property if it was awarded for valour or gallant conduct and it has never been the subject of a disposition for a consideration in money or money's worth.

Proposed revisions

Legislation will be introduced in Finance Bill 2015 to treat all medals and decorations awarded by the Crown or a country or territory outside the United Kingdom to armed forces personnel, emergency services personnel and individuals for achievements and services in public life as excluded property.

New subsection 1BA IHTA 1984 sets out the circumstances under which decorations and awards will be treated as excluded property provided they do not consist of money. For example if a policeman received a bonus payment for public service as well as a medal or decoration, the bonus payment would not be treated as excluded property.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	negligible	negligible	negligible	negligible	negligible	negligible
This measure is expected to have a negligible impact on the Exchequer.						
Economic impact	The measure is not expected to have any significant economic impacts.					
Impact on individuals, households and families	<p>This measure will exempt from IHT medals and decorations awarded to members of the armed forces and emergency services and individuals in recognition of their achievements and service in public life.</p> <p>This measure is not expected to impact on family formation, stability or breakdown.</p>					
Equalities impacts	<p>The Government has no evidence to suggest that the measure will have any adverse equalities impacts.</p> <p>Those individuals in the armed forces and emergency services benefiting from this exemption will reflect the demographics of the organisations in which they serve.</p> <p>This measure is not expected to have a disproportionate impact on any protected group.</p>					
Impact on business including civil society organisations	The measure is expected to have no impact on businesses or civil society organisations.					
Operational impact (£m) (HMRC or other)	There will be a negligible operational impact on HM Revenue & Customs (HMRC).					
Other impacts	Other impacts have been considered and none have been identified.					

Monitoring and evaluation

The measure will be kept under review through communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact Tony Zagara on 03000 585265 (email: tony.zagara@hmrc.gsi.gov.uk).

1 Inheritance tax: exemption for decorations and other awards

- (1) In section 6 of IHTA 1984 (excluded property), for subsection (1B) substitute –
- “(1B) A relevant decoration or award is excluded property if it has never been the subject of a disposition for a consideration in money or money’s worth.
- (1BA) In subsection (1B) “relevant decoration or award” means a decoration or other similar award –
- (a) that is designed to be worn to denote membership of –
 - (i) an Order that is, or has been, specified in the Order of Wear published in the London Gazette (“the Order of Wear”), or
 - (ii) an Order of a country or territory outside the United Kingdom,
 - (b) that is, or has been, specified in the Order of Wear,
 - (c) that was awarded for valour or gallant conduct,
 - (d) that was awarded for, or in connection with, a person being, or having been, a member of, or employed or engaged in connection with, the armed forces of any country or territory,
 - (e) that was awarded for, or in connection with, a person being, or having been, an emergency responder within the meaning of section 153A (death of emergency service personnel etc), or
 - (f) that was awarded by the Crown or a country or territory outside the United Kingdom for, or in connection with, public service or achievement in public life.”
- (2) The amendment made by subsection (1) has effect in relation to transfers of value made, or treated as made, on or after 3 December 2014.

EXPLANATORY NOTE

INHERITANCE TAX: EXEMPTION FOR DECORATIONS AND OTHER AWARDS

SUMMARY

1. Clause [X] amends the legislation relating to property which is to be excluded for the purposes of inheritance tax (IHT). It extends the existing IHT tax exemption which applies to decorations for valour or gallant conduct to encompass an Order, decoration or award, including those made by a country or territory outside the UK. The amendment applies to transfers of value made, or treated as made, on or after 3 December 2014.

DETAILS OF THE CLAUSE

2. Subsection (1) amends IHTA by inserting new s6(1B). It also provides that a relevant decoration and other award is excluded property if it has never been the subject of a disposition for money or money's worth. Subsection (2) provides that the amendment applies to transfers of value made, or treated as made, on or after 3 December 2014.

BACKGROUND NOTE

2. At Autumn Statement 2014 the Government announced that the existing exemption from IHT for awards for valour and gallantry will be extended to include awards for service in the armed forces, and awards made by the State in recognition of achievements and service in public life, such as OBEs. The exemption will also include Orders, decorations or awards made by other countries and territories. The amendments made by this clause will have effect for all transfers of such property made (or treated as made) on or after 3 December 2014.

3. If you have any questions about this change, or comments on the legislation, please contact Tony Zagara on 03000 585265 (email: antonio.zagara@hmrc.gsi.gov.uk).