



## **Inheritance tax: exemption for emergency service personnel and humanitarian aid workers**

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### **Who is likely to be affected?**

People in the armed forces, police, fire brigade, ambulance service, personnel in other “first response” organisations and humanitarian aid workers responding to emergency circumstances.

### **General description of the measure**

At Budget 2014, the Government announced it would extend the existing 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 responding to emergency circumstances. Following consultation over the summer, this has been extended to cover humanitarian aid workers responding to humanitarian emergencies. Emergency services personnel (either volunteers or employed) involve those in the police, fire service, other search and rescue services (e.g. Coastguard), medical, ambulance or paramedic services, and those transporting organs or other medical equipment. Humanitarian aid workers involve those providing humanitarian assistance on behalf of the Government, charities and international organisations.

### **Policy objective**

The measure will provide that IHT will not be charged on the estates of emergency service personnel and humanitarian aid workers whose death has been caused directly or hastened by injury or illness while responding to emergency circumstances.

### **Background to the measure**

This measure was announced at Budget 2014. A consultation document was published on 23 July 2014.

## **Detailed proposal**

### **Operative date**

The revised legislation will be effective for all deaths on or after 19 March 2014.

### **Current law**

IHT rules do not apply to the estates of members of the armed forces whose death can be attributed to or is hastened by:

- (a) injury or illness suffered whilst on active service; or
- (b) where someone already has a pre-existing disease which is aggravated by the wound inflicted, accident occurring or disease contracted whilst on active service.

The legislation is at section 154 of Inheritance Tax Act (IHTA) 1984.

The provision also prevents IHT being charged on 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.

## Proposed revisions

Legislation will be introduced in Finance Bill 2015 to extend this treatment to members of the emergency services and humanitarian aid workers responding to emergency circumstances.

New section 155A provides an IHT exemption for constables and armed service personnel targeted because of their status.

New Section 153A IHTA covers the death of emergency service personnel and humanitarian aid workers whether they are employed or acting in a voluntary capacity responding to emergency circumstances. The new legislation sets out who qualifies, the circumstances in which IHT will not be charged and defines the term “emergency responder”.

Section 154 IHTA 1984 is also amended so that the treatment available to emergency service personnel also applies to members of the armed forces and under the same circumstances.

## Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
		negligible	negligible	negligible	negligible	negligible
	This measure is expected to have a negligible impact on the Exchequer.					
<b>Economic impact</b>	The measure is not expected to have any significant economic impacts					
<b>Impact on individuals, households and families</b>	<p>This measure would exempt from IHT the estates of individuals in the armed forces and emergency services whose death can be attributed to, or hastened by, injury or illness suffered whilst responding to emergency circumstances.</p> <p>This measure is not expected to impact on family formation, stability or breakdown</p>					
<b>Equalities impacts</b>	<p>Those benefiting from this exemption will reflect the demographics of the armed forces and emergency services in which they serve. It is expected that the majority will be male.</p> <p>Approximately 70 per cent of those who have qualified for the exemption in the past 10 years have been aged 70 years and older.</p> <p>This measure is not expected to have a disproportionate impact on any protected group.</p>					
<b>Impact on business including civil society organisations</b>	This measure is expected to have no impact on businesses or civil society organisations.					
<b>Operational impact (£m) (HMRC or other)</b>	There will be a negligible operational impact on HM Revenue & Customs (HMRC).					
<b>Other impacts</b>	Other impacts have been considered and none have been identified.					

**Monitoring and evaluation**

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

**Further advice**

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

## 1 Inheritance tax exemption for emergency service personnel etc

- (1) IHTA 1984 is amended as follows.
- (2) After section 153 insert –

### *“Emergency services*

#### **153A Death of emergency service personnel etc**

- (1) The reliefs in subsection (2) apply where a person –
  - (a) dies from an injury sustained, accident occurring or disease contracted at a time when that person was responding to emergency circumstances in that person’s capacity as an emergency responder, or
  - (b) dies from a disease contracted at some previous time, the death being due to, or hastened by, the aggravation of the disease during a period when that person was responding to emergency circumstances in that person’s capacity as an emergency responder.
- (2) The reliefs are –
  - (a) that no potentially exempt transfer made by the person becomes a chargeable transfer under section 3A(4) because of the death,
  - (b) that section 4 (transfers on death) does not apply in relation to the death, and
  - (c) that no additional tax becomes due under section 7(4) because of a transfer made by the person within 7 years of that death.
- (3) “Emergency circumstances” means circumstances which are present or imminent and are causing or likely to cause –
  - (a) the death of a person,
  - (b) serious injury to, or the serious illness of, a person,
  - (c) the death of an animal,
  - (d) serious injury to, or the serious illness of, an animal,
  - (e) serious harm to the environment (including the life and health of plants and animals),
  - (f) serious harm to any building or other property, or
  - (g) a worsening of any such injury, illness or harm.
- (4) A person is “responding to emergency circumstances” if the person –
  - (a) is going anywhere for the purpose of dealing with emergency circumstances occurring there, or
  - (b) is dealing with emergency circumstances, preparing to do so imminently or dealing with the immediate aftermath of emergency circumstances.

- (5) For the purposes of this section, circumstances to which a person is responding are to be taken to be emergency circumstances if the person believes and has reasonable grounds for believing they are or may be emergency circumstances.
- (6) “Emergency responder” means –
- (a) a person employed, or engaged, in connection with the provision of fire services or fire and rescue services,
  - (b) a person employed for the purposes of providing, or engaged to provide, search services or rescue services (or both),
  - (c) a person employed for the purposes of providing, or engaged to provide, medical, ambulance or paramedic services,
  - (d) a constable or a person employed for police purposes or engaged to provide services for police purposes,
  - (e) a person employed for the purposes of providing, or engaged to provide, services for the transportation of organs, blood, medical equipment or medical personnel, or
  - (f) a person employed, or engaged, by the government of a state or territory, an international organisation or a charity, in connection with the provision of humanitarian assistance.
- (7) For the purposes of subsection (6) –
- (a) it is immaterial whether the employment or engagement is paid or unpaid, and
  - (b) “international organisation” means an organisation of which –
    - (i) two or more sovereign powers are members, or
    - (ii) the governments of two or more sovereign powers are members.
- (8) The Treasury may, by regulations made by statutory instrument, extend the definition of “emergency responder” in subsection (6).
- (9) Regulations under this section are subject to annulment in pursuance of a resolution of the House of Commons.”
- (3) In section 154 (death on active service) –
- (a) in subsection (1), for “Section 4 shall not apply” substitute “The reliefs in subsection (1A) apply”,
  - (b) after that subsection insert –
 

“(1A) The reliefs are –

    - (a) that no potentially exempt transfer made by the deceased becomes a chargeable transfer under section 3A(4) because of the death,
    - (b) that section 4 (transfers on death) does not apply in relation to the death, and
    - (c) that no additional tax becomes due under section 7(4) because of a transfer made by the deceased within 7 years of that death.”,
  - (c) in subsection (2) omit “either” and after paragraph (b) insert “or
    - (c) responding to emergency circumstances in the course of the person’s duties as a member of any of those armed forces or as a civilian subject to service discipline.”, and
  - (d) After subsection (2) insert –

“(2A) Section 153A(3) to (5) applies for the purposes of this section.”

- (4) The amendments made by this section have effect in relation to deaths occurring on or after 19 March 2014.

## **2 Inheritance tax exemption for constables and armed service personnel targeted because of their status**

- (1) After section 155 of IHTA 1984 insert—

### *“Constables and service personnel*

#### **155A Death of constables and service personnel targeted because of their status**

- (1) The reliefs in subsection (2) apply where a constable or service person—
- (a) dies from an injury sustained or disease contracted in circumstances where the deceased was deliberately targeted by reason of his or her status as a constable or service person, or
  - (b) dies from a disease contracted at some previous time, the death being due to, or hastened by, the aggravation of the disease by an injury sustained or disease contracted in circumstances mentioned in paragraph (a).
- (2) The reliefs are—
- (a) that no potentially exempt transfer made by the deceased becomes a chargeable transfer under section 3A(4) because of the death,
  - (b) that section 4 (transfers on death) does not apply in relation to the death, and
  - (c) that no additional tax becomes due under section 7(4) because of a transfer made by the deceased within 7 years of his or her death.
- (3) For the purposes of this section, it is immaterial whether the deceased was acting in the course of his or her duties as a constable or service person when the injury was sustained or the disease was contracted (ignoring the reference in subsection (1)(b) to a disease contracted at some previous time).
- (4) “Service person” means a person who is a member of the armed forces of the Crown or a civilian subject to service discipline (within the meaning of the Armed Forces Act 2006).
- (5) This section does not apply where section 153A or 154 applies in relation to the deceased’s death.”
- (2) The amendment made by this section has effect in relation to deaths occurring on or after 19 March 2014.

## EXPLANATORY NOTE

### **INHERITANCE TAX: TAX EXEMPTION FOR EMERGENCY SERVICE PERSONNEL ETC**

#### **SUMMARY**

1. Clause [X] amends the inheritance tax (IHT) legislation to provide that the estates of: emergency service personnel and humanitarian aid workers who die as a result of responding to an emergency; and police constables and armed service personnel who die as a result of being attacked due to their status, will be exempt from IHT.
2. It also provides that this exemption will include any additional IHT due on death for lifetime transfers and potentially exempt transfers. The amendments made by this clause have effect in relation to deaths occurring on or after 19 March 2014.

#### **DETAILS OF THE CLAUSE**

3. Subsection (1) provides for various amendments to be made to the Inheritance Taxes Act 1984 (IHTA).
4. Subsection (2) inserts a new section 153A. New section 153A sets out the conditions that must be met for the estates of emergency service personnel and humanitarian aid workers (emergency responders) to be exempt from IHT. It determines the circumstances in which the exemption applies, for example, those likely to cause the death of a person or serious harm to the environment. Other emergency circumstances covered include serious injury or illness of a person or an animal. It also defines what qualifies as an emergency, to whom the exemption applies and provides that it is immaterial whether the individual is paid or unpaid. The section also provides that regulations may extend the definition of emergency responders.
5. Subsection (3) amends section 154 IHTA to provide that where armed service personnel die while responding to an emergency, or their death is hastened as a result of injury or illness arising from that emergency, then their estates will be exempt from IHT. It also defines the nature of the exemption, and inserts a reference to the definition of emergency in section 153A IHTA.
6. Subsection (4) inserts a new section 155A. New section 155A sets out the conditions to be met for the estates of police constables and armed service personnel to be exempt from IHT. It determines the circumstances in which the exemption applies, the nature of the exemption and to whom it applies. It provides that it is immaterial whether the individual was acting in the course of his duties when attacked and provides a definition of service personnel

7. New section 155A will not apply where the individual's death occurs as a result of responding to emergency circumstances which would be covered under new section 153A, or as a result of being on active service which would be covered under section 154 IHTA

8. The effect of these changes will be that where a police constable or member of the armed services dies as a result of their status, or a member of the emergency services or a humanitarian aid worker dies as a result of responding to an emergency, then their estate will be exempt from IHT. Any additional IHT due on death for lifetime transfers (transfers that are immediately chargeable to IHT) and potentially exempt transfers (lifetime transfers of value that meet certain conditions) will not be payable.

9. Subsection (5) provides that these amendments have effect in relation to deaths occurring on or after 19 March 2014.

## **BACKGROUND NOTE**

10. At Budget 2014 the Government announced its intention to introduce IHT exemptions for members of the emergency services in line with the existing exemption for armed service personnel who die in the line of duty or whose death is hastened by an injury incurred in the line of duty. At the Autumn Statement it announced its further intention to introduce a similar exemption for police constables and armed services personnel who die as result of being attacked due to their professional status.

11. The amendments made by this clause will provide that the estates of such workers will be exempt from IHT. Regulations may extend the definition of emergency worker, if necessary. The changes also provide for circumstances where armed forces personnel die as a result of responding to emergencies.

12. 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](mailto:antonio.zagara@hmrc.gsi.gov.uk)).