

SUBMISSION TO THE HOUSE OF LORDS FINANCE BILL SUB-COMMITTEE

INTRODUCTION

1. The **Chartered Institute of Fundraising** and **Remember A Charity** are making this submission in response to the call for evidence from the House of Lords Finance Bill Sub-Committee. We are responding jointly in our representative capacity for hundreds of charities and fundraisers across the UK. This response addresses the topic of: **Reforming inheritance tax: unused pension funds and death benefits.**
2. In this response, we highlight the importance of ensuring the legislative framework considers the impact on charities, many of which are reliant on gifts in Wills to fund crucial services for people in need across the UK. The fiscal incentives for donating in this way are a vital component that has enabled legacy giving to flourish at a time when charities, community-based organisations and their beneficiaries are so urgently in need of support.

SUMMARY

3. This submission articulates our concern that the additional burden and complexity for personal representatives in the current legislative proposals will lengthen the timeframe in closing estates significantly, with negative implications for grieving families and charities alike. Delays or uncertainty about the release of legacy income – one of the most significant sources of voluntary income, raising £4.5 billion annually – will have a direct consequence on the services charities can provide. We believe this must be reviewed urgently.
4. While anyone can give to charity from their Will tax-free, current legislation on pensions prevent those with dependants (including adult spouses) from doing so, creating a lack of harmonisation and added complexity around the application of the [‘10% rule’](#). We believe strongly that, if pension funds are to be liable for Inheritance Tax (IHT), everyone should have the choice to be able to donate a charity lump sum death benefit tax-free, creating a more consistent and harmonised approach across pension wealth and other estate funds. This submission also highlights the importance of protecting the fiscal benefits for legacy giving, which have proved crucial in growing this vibrant and deeply meaningful area of philanthropy.
5. In this submission, we consider the following questions posed by the Finance Bill Sub-Committee:
 - How challenging will it be for personal representatives to identify and report inheritance tax due on unused pension funds and death benefits?
 - Has the Government sufficiently taken into account the impact of the measure on personal representatives and pension schemes administrators?
 - How aware of the proposals are those who may be affected by the proposed change?What more should the Government do to raise awareness ahead of April 2027?

IMPACT ON PERSONAL REPRESENTATIVES

6. We are concerned that the additional responsibility for reporting and paying IHT being given to Personal Representatives (PRs), instead of Pension Scheme Administrators (PSAs), will make the estate administration and probate processes more challenging and more labour intensive. This would increase the length of time taken and complexity for PRs handling estates and inevitably increase the margin of error for taxable estates. In addition to placing a significant burden on PRs and the Probate Registry, we are concerned that charitable legacies may be reduced or delayed as a result and that this will have a consequence on charities' ability to deliver vital services.
7. With PRs being made liable for IHT on pension funds, this could cause delays, legal risks and potential hardship, especially where beneficiaries of the free estate and pension are different. There is a potential for this system to lead to PRs retaining the entire estate indefinitely, which could delay distributions of a deceased's Will. It could also result in PRs unfairly bearing the full compliance burden. PRs, especially lay executors, will need to be supported by clear, consistent communication to reduce the risk of prolonged administration, ensure duties are carried out appropriately and beneficiaries provided for.
8. There must be fairness, administrative practicality and legal clarity in the treatment of pension funds for IHT. We believe that the current proposals unfairly burden PRs and risk delays, estate administration complications, litigation, and inequity between estate and pension beneficiaries. They also put charitable legacy income at risk. We believe that further consideration must be given to mitigate the impact not only on PRs, but also on beneficiaries of Wills, including charities.

RESOURCING PROBATE SYSTEMS

9. In addition to the extra burden on PRs, we are concerned that the additional reporting requirements and increased likelihood of errors will add pressure to the Probate Registry, which has so recently recovered from years of backlog in the probate system. An increasing number of estates and additional parties (e.g. pension scheme trustees) will need to interact with the probate system. This could result in more delays in the processing of estates, leaving both grieving families and charities alike waiting for much-needed income. This severity of the impact of probate delays on charities was demonstrated in detail in the Justice Committee's [Probate Inquiry](#) in 2024.
10. We believe that Government must ensure that probate and other systems are adequately resourced to cope with the increased complexity and volume of estates facing an IHT bill, particularly the Probate Registry and HMRC.
11. **Recommendation: Review the burden of responsibility sitting with PRs and to ensure that probate and other systems are adequately resourced to cope with the increased complexity and volume of estates facing an IHT bill, including the Probate Registry and HMRC.**

TESTAMENTARY FREEDOM

12. We strongly endorse the current fiscal reliefs that apply to legacy giving, making it easy and attractive for people to donate tax-effectively in this way, remembering good causes and their loved ones from their Will. However, there is not the same freedom when it comes to how people can allocate unused pension funds, creating a lack of harmonisation across estate and pension wealth, adding to the complexity.
13. Donations to charity can currently be made from defined contribution pension schemes on death, tax free, through charity lump sum death benefits, but this is only possible when they meet conditions: namely the member having no dependants and having nominated to charity. There are other routes to give to charity at death outside of this scheme, but this sometimes results in an income tax or equivalent charge. We believe that the rules should be simplified and that everyone should be able to donate their charity lump sum death benefit tax-effectively.
- 14. Recommendation: Amend the Finance Bill to bring the treatment of charitable lump sums from pensions in line with the treatment of other wealth, enabling everyone to be able to donate tax-effectively in this way.**

APPLICATION OF THE 10% IHT RULE FOR CHARITABLE ESTATES

15. While all legacy donations to charity are tax-free, estates donating 10% or more of the net value to charity can qualify for a reduced IHT rate of 36%. However, there is uncertainty over how the reduced rate rules will apply within the new IHT framework. It is currently presumed that pension assets will be included within the general component of the estate when determining whether 10% has been donated to charity because the pension will be treated as 'comprised in the estate'. This could mean that people with a Will pre-dating 2027 who planned to gift 10% of the baseline amount of the general component may no longer qualify for the reduced rate because their estate value has increased due to pension assets. Conversely, a person could end up leaving a much bigger charitable legacy than they expected because they hadn't expected their pension pot to be part of the calculation.
16. It is important to stress the importance of the [IHT incentives in growing charitable legacy giving](#). Despite the low proportion of estates facing IHT costs, around one in four charitable estates utilise the tax exemptions (9,780 estates in 2021/22), accounting for around half of all annual legacy income (some £2 billion in 2021/22). What's more, around half of this figure (£931 million) was raised from estates giving 10% or more, qualifying for the reduced 36% IHT rate. reinforces their importance, with solicitors and Will-writers reporting that these incentives are the most prevalent reason for making clients aware of the option of donating from their Will, encouraging future giving. Such donations from the public continue to provide a long-term resilient income stream that enables charities and community-based organisations to provide vital services at a grassroots level across the nation. [Our professional adviser tracking study carried out by Savanta](#) reinforces their importance, with solicitors and Will-writers reporting that these incentives are the most prevalent reason for making clients aware of the option of donating from their Will, encouraging future giving. Such donations from the public continue to provide a long-term resilient income stream

that enables charities and community-based organisations to provide vital services at a grassroots level across the nation.

17. Recommendation: Clarification is needed that the “10% rule” applies across the whole estate including the pension pot and confirm whether a charitable lump sum death benefit would count towards the 10%. A separate ‘pension component’ may also be needed to ensure there is sufficient flexibility and to allow for the scenarios in point 15.

PUBLIC AWARENESS CAMPAIGN

18. The revisions to the Finance Bill will have a significant impact on both estate planning and estate administration processes. Therefore, we believe it is vital that there is a public awareness campaign advising people of the incoming changes and the need to review estate plans. In any such campaign, it is important that this includes making the public aware of the charitable tax incentives on legacy giving. Remember A Charity and the Chartered Institute of Fundraising would be keen to support any such awareness campaign.

19. Recommendation: Educate the public about the changes to IHT, highlighting the existing charitable tax incentives

CONCLUSION

20. The proposed legislation in the Finance Bill 2025-26 creates significant risk for charities reliant on legacy income. We are calling on Government to reduce the burden of responsibility on PRs, to remove the barriers on tax-effective giving from a pension and to minimise any uncertainty around the implementation of the new legislation. We respectfully urge the Finance Bill Sub-Committee to review the concerns raised by us and to give due consideration to the recommendations laid out above.

ABOUT US

21. The **Chartered Institute of Fundraising** (CIOF) is the professional membership body for UK fundraising. We champion our members’ excellence in fundraising. We support fundraisers through professional development and education. We connect fundraisers across all sectors and skill sets to share and learn with each other. Together we can best serve our causes and communities both now and in the future.

22. **Remember A Charity** was established in the year 2000 as a consortium of charities working to grow the charitable legacy market – a vital income stream for UK charities. Now with almost 200 charity members, the campaign works with Government, the legal profession, and financial advisers to inspire the public to include charitable donations in their Wills. Remember A Charity is part of the Chartered Institute of Fundraising.

23. Please contact Claire Stanley, director of policy and communications at the Chartered Institute of Fundraising if you require further information: claires@ciof.org.uk