

CHANGES TO PENSIONS

Pensions at a Turning Point: Preparing for Inheritance Tax Changes

What Executors Need to Know from April 2027

From **6 April 2027**, significant changes are proposed to take effect in how pensions are treated for **inheritance tax (IHT)** purposes. These reforms increase the responsibilities of executors (also known as personal representatives) when administering estates and assessing tax liabilities.

What Is Changing?

Under the current rules, most unused pension funds and pension death benefits sit outside the estate for IHT purposes. From April 2027, this is proposed to change to:

- **Unused pension funds and most pension death benefits will be included in the deceased's estate for IHT.**

As a result, pension values may push estates above the IHT threshold where this was not previously the case.

Some limited exclusions will remain, but for many estates pensions will now form part of the overall IHT calculation. These are currently proposals and not final legislation.

Executors' New Responsibilities

The key practical change is **who is responsible for dealing with inheritance tax on pensions.**

From April 2027, **executors will be responsible for:**

- Identifying all relevant pension arrangements.
- Obtaining accurate valuations of unused pension funds and death benefits.
- Including those values in the estate's IHT return.
- Calculating and paying any inheritance tax due.

This represents a clear shift from the current position, where pensions are often outside the executor's remit for tax purposes.

Role of Pension Scheme Administrators

Pension scheme administrators will not usually be responsible for paying IHT themselves. However, they will be required to:

- Provide executors with information needed to value pension benefits.
- Act on instructions from executors, including **withholding funds** to help meet IHT liabilities before benefits are paid to beneficiaries.

The overall responsibility for compliance and payment remains with the executors.

Why This Matters

Including pensions within the estate increases both the **complexity** and **risk** of estate administration:

- Pension information is often held separately from other estate assets.
- Delays in identifying or valuing pensions could slow down probate.

This article provides a general overview and should not be relied upon as legal advice. Executors should seek independent legal guidance for their specific situation. Pensions are long-term investments and currently cannot be accessed until age 55 (rising to 57 from 2028). Pension consolidation and death benefit planning are regulated activities and require personalised advice. This article does not assess suitability for your circumstances. Tax treatment depends on individual circumstances and may change in the future. The information contained within this article is for information only purposes and does not constitute financial advice or recommendations. Thomson Cooper cannot assume legal liability for any errors or omissions it might contain. The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

Thomson Cooper is authorised and regulated by the Financial Conduct Authority. FCA number 104673



- Errors may result in underpaid tax and potential liability for executors.
- Executors will need to engage with pension providers early and keep clear records of all enquiries made.

Impact on Beneficiaries

Beneficiaries should also be aware that:

- Pension benefits may now be subject to inheritance tax where they were previously paid tax-free.
- In some circumstances, beneficiaries who receive pension benefits may share liability for unpaid IHT.

Clear communication between executors, beneficiaries and advisers will be essential.

Planning Ahead

These changes underline the importance of:

- Keeping pension records up to date.
- Reviewing wills and estate plans considering increased IHT exposure.
- Ensuring executors understand the expanded scope of their role.

Guidance will continue to be issued by **HM Revenue & Customs** as implementation approaches.

As part of our **Financial Planning Service**, we can help you to:

- **Review all existing pension arrangements**
- **Consider Pension consolidation where appropriate**
- **Check beneficiary nominations**
- **Assess potential inheritance tax exposure**
- **Coordinate pension and estate planning**

Acting now gives you time to make informed decisions and reduces the burden placed on your executors later. If you require assistance, please contact Head of Wealth Management Richard Libberton at rllibberton@thomsoncooper.com.