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<https://www.paminsight.com/epc/article/first-fall-in-iht-receipts-in-over-a-decade-likely-to-add-pressure-to-calls-for-tax-reform>



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## First fall in IHT receipts in over a decade likely to add pressure to calls for tax reform

NEWS TEAM, 31/07/2020

New Inheritance Tax (IHT) figures from HMRC have shown a slight fall in receipts for the first time in 10 years.

In 2017-18, 3.9 percent of UK deaths resulted in an Inheritance Tax (IHT) charge, decreasing by 0.7 percentage points since 2016-17. This reverses the longer term increase in this proportion since 2009-10 and is likely due to the introduction of the Residence Nil-Rate Band (RNRB) tax-free threshold in April 2017.

The introduction of the RNRB also means the total number of UK deaths that resulted in an IHT charge has fallen for the first time since 2009-10. In 2017-18 there were 24,200 such deaths, a decrease of 3,900 (14 percent) since 2016-17.

Similarly, in 2019-20 IHT receipts decreased for the first time since 2009-10. HMRC received £5.2 billion during 2019-20, a decrease of 4 percent (£223 million) on 2018-19. This is likely because of the effects of the RNRB's introduction in 2017-18, as there is a delay between death (when the tax charge is created) and receipts (when HMRC receives the tax payment).

Mike Hodges, a partner in the private wealth team at Saffery Champness, said the decrease in the proportion of estates paying inheritance tax and the first fall in total IHT receipts in over a decade were likely to increase further the pressure to reform IHT at a time when the Exchequer needs to raise extra funds to pay for the Coronavirus crisis.

“If, as HMRC suggests, last year’s fall in receipts is a result of George Osborne’s Residence Nil-Rate Band, this may increase the perception that those who some may say can afford to pay a little more tax are not shouldering their fair share,” Mr Hodges said.

“The proportion of estates paying IHT is likely to dwindle still further in the current financial year as the Residence Nil Rate Band increases to £175,000 per person, in accordance with George Osborne’s ambition that parents be able to leave a £1million property to their children tax-free.”

Fiona Smith, a partner at law firm Forsters, agreed that falling IHT receipts could

spur the Chancellor to consider changes to reverse this trend with the RNRB a potential target for amendment, or even abolition.

“The risk, however, is that such changes would be politically challenging and could alienate a section of the electorate that is otherwise supportive of the government, whilst at the same time raising relatively little for the public purse,” Ms Smith said. “On balance, he may decide to leave the RNRB alone and focus instead on areas where tax reform will make a material difference to government income.”

Frederick Bjørn, a partner at law firm Payne Hicks Beach, said that whilst the RNRB will have reduced the IHT take he suspected that “money is increasingly passing down the generations during lifetime, as life expectancy increases and pensioners are wealthier than their children.”

Mr Bjørn said this meant there is therefore a delicate balance for the government between the “limited revenue IHT actually produces and their reluctance to be seen to be pandering to the wealthy - I would suggest that a decline in IHT receipts and an aversion to IHT by the government’s core voters, makes this an area ripe for what is increasingly termed ‘simplification’.”

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