

IHT receipts still on the rise

Synopsis: HMRC's annual statistics published for 2022/23.

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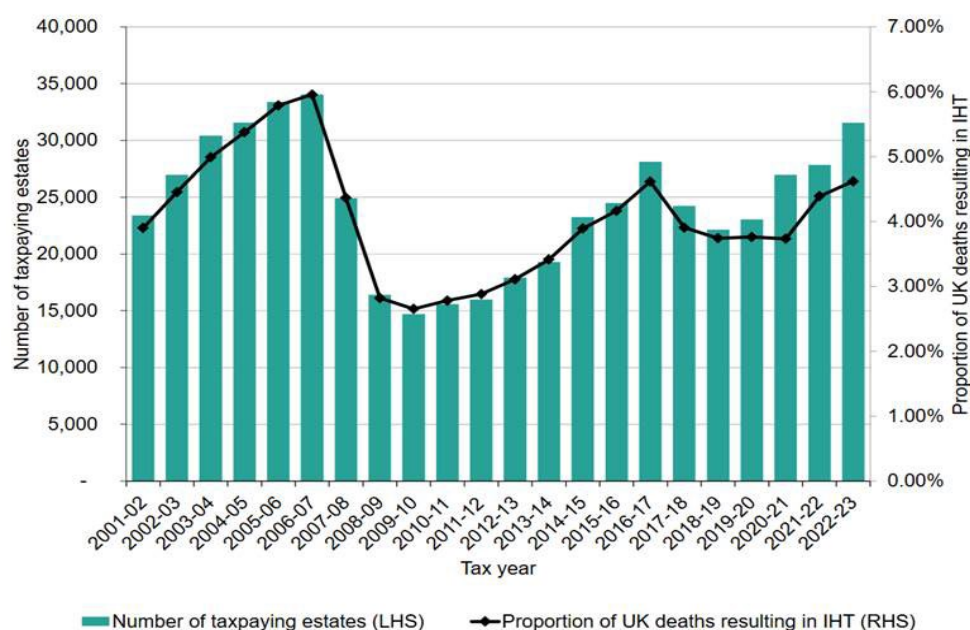
HMRC's [publication](#) details a rise of inheritance tax (IHT) liabilities for the 2022/23 tax year of £0.71 billion (12%) compared to the previous year, resulting in an overall IHT take of £6.70 billion. This was the highest on record.

HMRC attributes this to a combination of higher volumes of wealth transfers following recent IHT-liable deaths, recent rises in asset values, and the Government's decisions to maintain the IHT tax free thresholds at their 2020/21 levels up to and including 2029/30.

Interestingly, the Office for Budget Responsibility (OBR)'s latest [Economic and fiscal outlook \(EFO\)](#) – published on 26 March 2025 - forecast the following IHT receipts for the current tax year and future tax years: £9.1 billion for 2025/26; £10.0 billion for 2026/27; £11.7 billion for 2027/28; £13.3 billion for 2028/29; and £14.3 billion for the following year, 2029/30. Around £2.5 billion of the forecast rise to £14.3 billion in 2029/30 is due to the policies announced in the October 2024 Autumn Budget. These include charging IHT on pension wealth transferrable at death and limits to agricultural and business reliefs, as well as extending the freeze in nil-rate bands to 2029/30.

According to the latest statistics, in 2022/23, 4.62% of UK deaths resulted in an IHT charge, increasing by 0.23 percentage points since the previous tax year. This means that IHT was payable on fewer than one in 20 estates, as it has been since 2007/08, and broadly since statistics were first produced.

The number of taxpaying estates and proportion of taxpaying estates as a share of all UK deaths (source HMRC)...



The proportion of taxpaying estates as a share of all UK deaths is now equal to its previous 2016/17 high. It's likely that the phased introduction of the Residence Nil Rate Band (RNRB) from 2017/18, increasing by £25,000 annually in each year to 2020/21, broadly offset the impact of rising asset prices, leaving the proportion of estates subject to an IHT charge broadly flat in recent years. However, the RNRB has since been maintained at that level up to and including the 2029/30 tax year, opening the potential for more deaths to be drawn into an IHT liability.

The total number of UK deaths that resulted in an IHT charge also increased. In the tax year 2022/23, there were 31,500 taxpaying IHT estates, an increase of 3,700 (13%) since the previous tax year, 2021/22. Fewer than half of all deaths in any given year require interaction with HMRC to establish whether there is a liability to be paid.

Since the tax year 2017/18 up until the tax year 2021/22, the average tax bill had increased markedly, explained by the effects of the RNRB's introduction. This tax-free threshold was first introduced in the 2017/18 tax year, where it was worth £100,000 to qualifying estates, and has been phased in in stages since then. Since its introduction, the availability of the RNRB to qualifying estates has meant a number of estates which beforehand would have paid a relatively small amount of tax no longer did so. This meant that those estates which remained taxpaying transferred larger amounts of wealth on average – increasing the average tax paid by those remaining taxpaying estates. In the tax year 2022/23, 30,600 estates used the RNRB threshold, and £7.72 billion of chargeable estate value was sheltered from an IHT charge as a result. This was a rise of £1.21 billion compared to the tax year 2021/22.

Despite the headline marginal rate of IHT being 40%, the average effective tax rate (AETR) for 2022/23 was 13%, for all 31,500 taxpaying estates; around one-third of the headline rate. This is due to the combination of tax-free allowances, exemptions, and reliefs used by taxpaying estates to minimize the chargeable portion of their estate.

This showcases why Gordon Brown once called IHT a "voluntary tax" because of the numerous ways to avoid it. It also demonstrates how the very largest taxpaying estates make proportionately greater use of the available exemptions and reliefs.

The AETR was lower for smaller taxpaying estates. Those 2,420 taxpaying estates valued at between £300,000 and £400,000 paid £13,500 in IHT on average, whereas those 202 taxpaying estates valued at more than £10 million paid £3.63 million on average. The average amount of IHT paid across all taxpaying estates has decreased slightly by 1.4% (£3,000) between the tax years 2021/22 and 2022/23, and now stands at £212,000.

The AETR rose gradually as the value of the net estate rose, reaching 12% for estates valued at between £1 million and £1.5 million. There were 7,890 such estates in this band, with an average tax bill of £153,000. The main reason the AETR rises gradually is that many estates valued between £300,000 and £1 million benefit from various combinations of tax-free allowances. While all estates benefit from the Nil Rate Band (NRB), worth £325,000, some estates may benefit

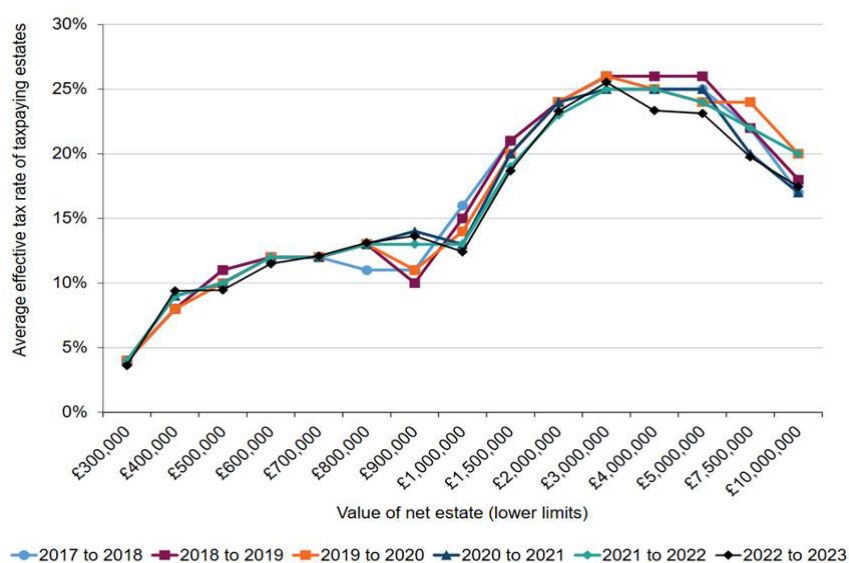
from further tax-free allowances depending on the marital status of the deceased, and whether the deceased qualifies for the RNRB. This means that some estates can transfer up to £1 million before tax becomes due on any estate value in excess of this amount.

For estates valued at more than £1.5 million but less than £2 million, the AETR was at 19%, and the 2,780 estates in this band paid an average of £322,000. This was likely due to these estates exhausting their available tax-free allowances, with a greater share of their estates being subject to tax than estates that are smaller. As soon as an estate becomes at least £2 million in size, the RNRB starts to be tapered away, at a rate of £1 for every £2 that the estate exceeds the £2 million taper point. This happens even if a home is left to direct descendants. For many estates, as soon as an estate is worth £2.7 million or more, no RNRB can be used. This is one reason why the AETR for taxpaying estates valued at between £2 million and £7.5 million was larger, at an average of 24% in the 2022/23 tax year. There were only 3,298 such estates.

However, the AETR for the largest taxpaying estates in 2022/23 was lower than for those estates valued at between £2 million and £7.5 million – at 20% and 17% respectively for estates valued at between £7.5 million and £10 million, and above £10 million. This is because such estates often make proportionately greater use of available exemptions and reliefs, such as business relief (BPR), than those estates that are smaller.

There were only 322 estates that fell into these two bands. While facing a proportionately lower AETR, the taxpaying estates in those bands paid the highest average tax bills by value of all taxpaying estates - at £1.67 million and £3.63 million respectively.

AETR for taxpaying estates, tax years 2017/18 up to and including 2022/23 (source HMRC)...



The largest exemption set against assets continued to be for transfers between spouses and civil partners. In the 2022/23 tax year, £5.98 billion was reported to HMRC as being transferred to surviving spouses and civil partners on death, by 5,070 estates, a fall of 16,730 on 2021/22. While this is a fall of £9.52 billion (61%) on 2021/22, HMRC believes that this can be explained by the change in reporting requirements for excepted estates for deaths occurring from 1 January 2022. This means many non-taxpaying estates no longer needed to report their use of this exemption to HMRC through tax forms.

From 1 January 2022, non-taxpaying estates which are classed as 'excepted' are no longer required to report their valuations to HMRC through tax forms or notify HMRC that they have obtained a grant of representation. As such, their details are no longer included in these statistics from 1 January 2022 onwards, which now have reduced coverage. HMRC warns that this means comparisons across years should be treated with caution. For more information, please see the [policy paper announcing the changes](#).

The value of exempted transfers to qualifying charities or registered clubs fell to £1.92 billion in the tax year 2022/23, from £2.07 billion in the tax year 2021/22. Such transfers were used by 10,800 estates in 2022/23, which was a fall of £0.15 billion on the equivalent figure for the tax year 2021/22. HMRC believes that this is likely to at least partially reflect the change in reporting requirements for excepted estates between years.

The second largest relief set against assets was BPR, valued at £3.34 billion and used by 3,840 estates. This was a rise of £0.49 billion (17%) since the 2021/22 tax year. The median value of BPR claimed was £207,000 per estate.

The combined value of agricultural property relief (APR) and BPR set against assets was £5.28 billion in the tax year 2022/23. This was a rise of £0.86 billion (19%) compared to the tax year 2021/22. The value of APR claimed rose by £0.37 billion (24%) to reach £1.9 billion, and in the 2022/23 tax year was claimed by 1,730 estates. The median value of APR claimed was £505,000 per estate.

Following the outcome of a [consultation on changes to HMRC statistics publications](#), it has added two new tables to the publication. These tables provide the distribution of estates making claims for APR and BPR for the 2022/23 tax year respectively. The data is tabulated by the combined value of an estate's claim for each relief (meaning the amount by which the value of the chargeable estate for IHT purposes was reduced). While estates can make multiple claims for relief, these are aggregated so that an estate is only counted once in each table.

These data do not refer to the tax cost to the Exchequer of the reliefs. Statistics on the tax cost to the Exchequer of these reliefs will be included in a future [tax relief statistics publication](#).

Of the 1,730 estates making claims for APR, 564 estates (33%) made claims worth less than £250,000 per estate. The median value of each estate's combined claim in this category was £85,000, and £59 million of relief was provided to estates making claims of this size. This represented 3% of the total value of the relief.

81 estates (5%) made claims worth more than £5 million per estate. The median value of each estate's combined claim in this category was £6.46 million, and £612 million of relief was provided to estates making claims of this size. This represented 32% of the total value of the relief.

Of the 3,840 estates making claims for BPR, 2,130 estates (56%) made claims worth less than £250,000 per estate. The median value of each estate's combined claim in this category was £72,000, and £192 million of relief was provided to estates making claims of this size. This represented 6% of the total value of the relief.

92 estates (2%) made claims worth more than £5 million per estate. The median value of each estate's combined claim in this category was £10.3 million, and £1,510 million of relief was provided to estates making claims of this size. This represented 45% of the total value of the relief.

IHT liabilities attached to trusts do not account for a significant proportion of IHT receipts for HMRC and the values have been dropping over the last three to five years.

The net chargeable value of taxable transfers into trusts has averaged at around £59 million between the tax years 2010/11 and 2023/24. The net chargeable value of taxable transfers into trusts was particularly high for the tax year 2019/20, with a value of £130 million declared from 42 chargeable events. Despite this, the number of entry charges has remained low, with a total of around 1,115 entry charges paid over the entire period - an average of fewer than 90 per tax year. HMRC collects relatively small amounts in tax from entry charges - an average of less than £8 million a year over the period.

HMRC collects most of total IHT trust charge tax from ten-year anniversary charges - with an average total tax liability of around £88 million a year over the period 2010/11 to 2023/24, and a peak of £159 million in respect of the 2017/18 tax year. The net chargeable value of taxable transfers out of trusts was also high for the 2017/18 tax year, with just over £1.1 billion declared in 2,400 chargeable events. However, the number of exit charges has been falling from a peak of just under 3,000 in the tax year 2014/15. HMRC collects relatively small amounts in tax from such exit (proportionate) charges - an average of around £14 million a year over the period 2010/11 to 2023/24.

One reason for the reduction in these IHT liabilities is that the number of trusts and their value has fallen. This could be a consequence of the 2006 trust reforms to tackle tax avoidance using trusts. As part of this package, IHT charges were applied to some types of trust to counter the use of trusts as a means of sheltering wealth. The reduction in assets held in trust may reflect a number of older existing trusts coming to the end of their natural life and a lack of new ones being created.

Another consideration may be the growth in awareness and use of BPR, as BPR qualifying assets that are settled into trust are not subject to entry charges, ten-year anniversary charges, or exit charges provided the qualifying requirements are satisfied.

These statistics, along with the current, and predicted future, high IHT receipts should serve as another reminder of the importance of IHT planning and of making full use of any IHT exemptions and reliefs available.

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