

Treasury rejects calls to extend IHT payment deadline for pensions

Synopsis: IHT on pension assets. Treasury dismisses the Lords' suggestions to create a statutory safe harbour from late payment interest in some circumstances and to temporarily extend the deadline for payment of IHT on pension assets to 12 months.

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As announced at Autumn Budget 2024 and after the Finance (No.2) Bill received Royal Assent in March 2026, unused pension pots are set to be liable to inheritance tax (IHT) from 6 April 2027.

The House of Lords Economic Affairs Committee recommended that the Government should introduce a statutory safe harbour from late payment interest for personal representatives (PRs) if they did not meet the payment deadline and could provide evidence that the reason for not doing so was out of their control. The Committee also urged the Government to temporarily extend the deadline for payment of IHT on pension assets to 12 months. Unfortunately, these recommendations were dismissed by the Treasury in its [response](#) to the House of Lords Economic Affairs Committee report.

The Treasury said...

"The Government does not intend to change the existing, longstanding deadlines which ensure tax is collected quickly and efficiently. IHT is due at the end of the sixth month after the date of death. After this point, late payment interest will begin to accrue on the outstanding tax. The changes to the IHT treatment of pensions are consistent with the process which already exists for administering estates and paying any tax due. PRs are already responsible for administering the rest of the estate, including non-discretionary pension schemes which are already in scope of IHT."

This means PRs will be required to obtain values from each pension scheme from 6 April 2027 to calculate the IHT due. They can ask schemes to hold back 50% of beneficiary payments and pay the IHT directly, with schemes given five weeks to do so.

In its response, the Treasury did confirm that the Government would consult on information sharing regulations in the next three months and also confirmed that it will publish technical guidance in time for April 2027 and share this guidance within industry ahead of publication with an appropriate and reasonable period of time to review and comment. It added that final guidance for the general public, including lay PRs, will be updated alongside this.

Comment

For family members who are acting as PRs, administering an estate can not only be time consuming but can also cause difficulties especially where they are dealing with the loss of a loved one. Adding pensions into the mix is likely to cause even more of a burden, so extending the deadline to twelve months would have been welcomed.

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