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## Office of Tax Simplification's first report on inheritance tax

The Office of Tax Simplification (OTS) has published the first part of its inheritance tax (IHT) simplification review.

The report highlights a variety of issues with the current IHT system:

- IHT returns are submitted for about half of all estates, even though tax is paid by less than 5%;
- Most of the paperwork cannot be completed and submitted online and is far from user-friendly;
- Probate is not normally granted until IHT has been paid, which can create difficulty for executors;
- The residence nil rate band, introduced in 2017/18, was widely criticised as being 'very complex', and disadvantaging those who do not have children and those who have not owned their own home.

The OTS made a key administrative recommendation: 'The government should implement a fully integrated digital system for Inheritance Tax, ideally including the ability to complete and submit a probate application'. HMRC have already started such a project in 2014, and in April 2018 announced it would be delayed, choosing instead to focus on the short IHT205 form which applies to certain estates where no IHT is payable.

### The OTS review timetable

The Chancellor asked the OTS to undertake its review of IHT in January 2018. The instruction was, 'to identify opportunities and develop recommendations for simplifying IHT from both a tax technical and an administrative standpoint'.

The OTS originally indicated it would publish a report ahead of the Autumn Budget, but Mr Hammond brought the Autumn Budget forward to October and nothing emerged from the OTS in time.

In late November, about the time the Budget would normally have arrived, the OTS published the first half of its review. Such was the response to the OTS consultation document, the organisation has decided to produce two reports. The first covers 'administrative issues' while the second will explore 'key technical and design issues'.

The second report is due in spring, and could herald changes to tax rules, instead of the administrative framework. The result may be less generous than the current system, meaning it could be wise to review your estate planning opportunities now.

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