



PKF
Francis Clark

Pensions and APR and BPR call for evidence

13 October 2025

**Response by PKF Francis Clark and
PKF Francis Clark financial planning**

About PKF Francis Clark and PKF Francis Clark financial planning

PKF Francis Clark

For more than 100 years, our firm has been helping businesses and individuals to succeed and navigate the complexities of complying with the UK tax regime. PKF Francis Clark is the largest independent firm of chartered accountants and business advisors in the Southwest of England, with almost 1,000 colleagues across offices in Cornwall, Devon, Somerset, Dorset, Wiltshire and Hampshire.

Our clients are diverse, ranging from individuals and small businesses to larger family businesses, institutions and multinational corporates. Relevant to the pensions and APR and BPR call for evidence, we work with almost 5,000 private clients, over 1,000 farming and agricultural sector clients and around 50 landed estates. Our wide-ranging expertise means we can provide comprehensive support tailored to the needs of our clients and so contribute to overall prosperity and economic growth.

As a firm, we will always work to help our clients comply with the tax rules that the Government chooses to adopt and we look to have a positive collaborative relationship with HMRC.

PKF Francis Clark financial planning

PKF Francis Clark financial planning is one of just 14% of financial planning firms in the UK to hold Chartered status. Our 65-person strong team works across 9 locations in across the south and west of England to provide financial planning advice to around 2,000 clients.

Our primary concerns in relation to both the pensions and the APR & BPR changes revolve around the practicalities of funding and paying the IHT.

We have included our responses to the specific call for evidence questions below.

Reforming inheritance tax: unused pension funds and death benefits

Identifying inheritance tax due

Question 1:

How challenging will it be for personal representatives to identify and report inheritance tax due on unused pension funds and death benefits?

Even though personal representatives are, under the current rules, required to report and pay IHT on the deceased estate, this policy change represents a significant increase in the level of work that personal representatives will have to undertake. The collation and sharing of the relevant information is unlikely to be a simple matter, especially as they are likely to be dealing with estates that have multiple relevant pension funds, often with less than perfect records as to what extant funds there are. The significant difficulty that is likely to be faced in many cases of actually paying the tax by the statutory deadlines, due to the illiquid nature of the assets in many pension funds, puts a significant degree of pressure and financial risk on personal representatives.

It is our view that the proposed changes will mean the scope for a layperson to administer an estate is hugely diminished. The practical realities of the proposals are that estate administration and probate will, for the most part, become the domain of professionals. This will have significant cost implications for administering estates, both as more estates will need to pay for professional administration and as the costs charged by professional administrators are likely to increase significantly to mitigate the increase in risk that they will face.

Question 2:

What is your view of the Government's proposals to ensure personal representatives can obtain the information they need from pension providers? How practicable is it?

If the policy changes go ahead, it is clear that pension scheme administrators will need to meet strict requirements to ensure they provide the relevant information to personal representatives without delay. We welcome the Government's acknowledgement of this and confirmation that new duties will be placed on administrators.

Without further detail on the scope and framework of the new duties, it is difficult to comment on how practicable the proposals will be.

We also welcome the Government's statement that HMRC will help to mitigate the administrative impact of the policy measures on personal representatives by "supporting businesses with clear guidance, a calculator to advise whether inheritance tax is due and a straightforward system of payment". However, this will do little to mitigate the primary challenge that personal representatives will face as a result of the policy change, which is the significant liquidity challenge for personal representatives in paying the IHT due on unused pension funds and death benefits.

We note that pension beneficiaries currently have up to two years to nominate pensions for income drawdown, and, where the member was under 75 at the time of death, there are potential tax penalties associated for those that do not do so. It is feasible that this deadline may be missed through no fault of the beneficiary if scheme administrators delay information and / or if property sales take longer than envisaged.

Reforming inheritance tax: unused pension funds and death benefits

Liquidity challenges

Question 3:

How significant will liquidity challenges be for personal representatives paying inheritance tax due on unused pension funds and death benefits?

Liquidity is a real concern in relation to many assets held in pensions. It is demonstrably not the case that most pension funds with significant assets made up of property also have cash or equivalent investments, or that the individuals will have significant amounts of available cash outside of the pension funds. In many cases the personal representatives are effectively going to be forced to liquidate property investments, due to their being insufficient other cash to fund the IHT liability.

Even where land or property is wholly held within a single pension fund, realising the value of those assets can take an extended amount of time. It is not uncommon for property to be held in not just one pension fund, but owned with the SIPP's of multiple people, such as business partners. In such cases, liquidating property is much more complex, as it will require the consent of the other parties who may not be willing. We have also seen cases where individual properties are held across the pension funds of multiple unconnected individuals (where those individuals have been interested in holding property in their pensions, but have not had the funds to acquire the property outright, so have been brought together with other likeminded investors by advisors), and the unconnected nature makes it even harder to obtain agreements to sell property.

Question 4:

How straightforward will it be for personal representatives to recover amounts in respect of inheritance tax from pension beneficiaries?

We do not foresee this being straightforward in many cases. As we have detailed previously, where pensions primarily hold assets that are not liquid in nature, such as land and property, liquidating those assets to create the funds required to satisfy the IHT liabilities can be complex. This is exacerbated where individual properties are held across more than one SIPP.

Question 5:

What are your views on the Government's suggestions as to how personal representatives can manage any liquidity challenges? How else could the Government support personal representatives who face liquidity challenges?

The Government proposals are light on genuinely substantive measures or suggestions to aid personal representatives manage the likely liquidity challenges. The proposals state that pension scheme administrators will have new duties to support personal representatives in paying IHT on pensions but provide only limited detail of what this actually equates to. The proposals appear to be labouring under the presumption that pensions with illiquid assets will also have sufficient liquid assets from which to fund IHT payments, which we know from our own client base is demonstrably not the case for many funds.

Reforming inheritance tax: unused pension funds and death benefits

Impact

Question 6:

Has the Government sufficiently taken into account the impact of the measure on personal representatives and pension schemes administrators?

As detailed, we believe it is clear that the burden these policy measures place on personal representatives of deceased estates is significant. The additional administrative burden and financial risk will mean a significant increase in costs for deceased estates.

Without more detail as to the exact scope of the proposed new duties that will be placed upon pension scheme administrators, it is difficult to assess the impact that the policy change will have on them. It is clear that it will result in significant additional costs.

Implementation and transition

Question 7:

How aware of the proposals are those who may be affected by the proposed change? What more should the Government do to raise awareness ahead of April 2027?

From looking at our own client base, we can see there are a considerable number of clients who have little real awareness of these changes, despite the marketing and advisory communications that we have been putting out. There is, therefore, little hope that awareness of the changes has spread far with those who do not currently employ professional advisors. Many of this population would have had little need for professional advice in this area without the proposed changes, so significantly more needs to be done by the Government to advertise and explain the changes to ensure people are given the opportunity to plan, obtain professional advice and to not be unfairly caught out by the changes.

Question 8:

What are your views on the proposed timetable for the introduction of this measure? Do you think there should be any transitional provisions?

We believe that the liquidity challenges that personal representatives will face in relation to pensions invested in inherently illiquid assets need to be more strongly taken into account in the implementation of the policy changes. A deferral to the payment deadlines, where the assets in a fund are primarily not of a liquid nature, would be a sensible mitigation measure.

Reforms to agricultural property relief and business property relief

Identifying and funding inheritance tax due

Question 9:

How easy will it be for those affected to report and make arrangements for funding the inheritance tax due, within the statutory six-month period?

A problem that is inherent with the proposed changes is that they will be imposing a tax charge where no cash is automatically available to pay that tax. The individuals inheriting the assets/business will not, in most cases, have received sufficient cash as part of the inheritance to pay the IHT, as the value of the business will most often, especially in the case of farming businesses, be in its illiquid assets, such as land and property.

To fund the IHT, cash must be extracted from the business or assets must be sold. It is therefore both a tax on the inheriting individuals and the businesses themselves, most likely in the form of dividends if they are shares in a company. Doing this will itself incur an income tax charge on the individual, which means significantly more funds need to be extracted from the business than the actual IHT liability.

As detailed, most businesses, especially farming businesses, simply do not have the freely available cash to be able to distribute to fund the IHT liabilities. This means that businesses will be required to sell assets to fund the tax.

At the very least this will significantly reduce the capital that businesses have for other uses, which potentially works against the Government's wider growth agenda. In the case of many businesses, especially farming businesses, this will mean selling land and buildings, which fundamentally risks breaking up of farms and the closing of businesses. When assets are sold there will be a capital gains tax charge that occurs if individuals are selling personal assets to keep the inherited business intact. It is likely that the time taken to complete a sale will be longer than the window given to settle any tax liability.

The enhanced deferral, with IHT payable on APR / BPR assets due in 10 equal, annual, interest free instalments is welcome, but it does not alleviate the difficulty of funding the IHT liability for individuals and businesses. For farming businesses especially, the potential capital value of the land and property that the business holds is disproportionate to the return generated by that business. Many successful farming businesses only generate returns of 1% or 2%, so are still likely to have to sell land and property to be able to fund the IHT liability over the 10-year payment period.

As an additional point, we believe that an extension to the deadline for the first IHT payment would account for the illiquidity of APR and BPR assets.

Reforms to agricultural property relief and business property relief

Question 10:

What issues, if any, might arise in relation to obtaining (and agreeing) valuations of qualifying business and agricultural property for inheritance tax purposes?

Valuing business and agricultural property is complex, and it can take an extended amount of time to reach an agreed valuation. This is especially the case with land, buildings, and other farming related assets, which may have significantly different potential values for different potential uses. Currently, we do not believe that there will be a sufficient number of suitably experienced and qualified people who can undertake these specialist valuations, to be able to deal with the significant increase in demand that will arise as a result of the change in the APR and BPR rules. This is likely to result in significant delays in obtaining valuations, and therefore in being able to report IHT liabilities to HMRC.

Question 11:

What are your views on the Government's assessment of the impact of the changes, in terms of the number and type of estates which are affected? For example, do you think that smaller farms will be affected by the changes?

It has been well publicised that the Government estimates of the number of estates that will be impacted by these changes are dramatically lower than the estimates of industry and other expert groups.

The relatively high value of land, which has increased dramatically in many parts of the country over recent years, means that an increasing number of smaller farms are likely to be impacted by these changes. Add to this the fact that the returns generated by land used for farming are often very low compared to the theoretical market value of that land (especially if not used for farming) and you are left with a situation where many farms may incur IHT liabilities that the farming business cannot fund without the sale of the business or its assets.

Reforms to agricultural property relief and business property relief

Implementation and transition

Question 12:

Are farmers and business owners prepared for these changes, and what help or support might they need?

Individuals' behaviour is shaped by the tax system that they find themselves exposed to. Currently, it is common practice for farm owners to only pass on their farm business on death. This is a result of two primary factors. Firstly, many farmers do not retire from the business, continuing to live and work on the farm until death. The existing tax system supports this, as APR has meant that there previously was no disadvantage holding on to the farming business until death. Had this rule not existed, the "standard" behaviour would be different.

For other sorts of substantial assets, such as a residential property business that is not eligible for BPR, the common behaviour is different. Individuals have adapted to a different set of available rules. Many look to take advantage of the potentially exempt transfer rules, thereby potentially reduce IHT to nil if they survive seven years from the date of the gift. Owners will plan for succession in a way that attempts to minimise the potentially devastating impact of IHT on their families and that does not require the breakup or disposal of those assets.

The proposed implementation of the APR and BPR changes will not afford business owners the same opportunities as those afforded to owners of other classes of assets and therefore creates an unfairness. We have seen a number of cases where farm owners who are unlikely to survive seven years, due to age or ill health, are now facing the prospect of there being substantial IHT tax charges on their businesses, with no prospect of being able to mitigate these charges. The IHT liabilities in question will force the sale or break-up of many of these farms. They have held on to their businesses because the rules functioned in a way that supported this. These cases are by no means outliers and now those business owners, whose behaviour has been shaped by the existing tax rules, are facing substantial liabilities as a result of the change in the rules - liabilities that are not faced by those who hold different asset types, as a result of the way in which the rules impacting those asset types have shaped behaviour. Had the rules for agricultural or business property been in line with, for example, residential property businesses, different actions would have been taken which would have acted to protect the long-term survival of the businesses.

To mitigate this unfairness, the transition for the APR and BPR changes should be linked to the PET rules. This would ensure fairness to those who are subject to the impact of the change in the rules and would ensure a degree of parity with the treatment of those who own types of assets not eligible for APR and BPR.

Reforms to agricultural property relief and business property relief

Question 13:

How straightforward will it be for those eligible for the reliefs to identify how the proposed changes will impact their inheritance tax liability, in order that they can plan accordingly?

The changes in the APR and BPR rules will force significant additional costs onto businesses and individuals. The changes are potentially complex, both to understand and apply, and professional advice will need to be sought to plan for changes and to ensure compliance with the new rules. For the large part, this is a new cost on those businesses and estates as the existing APR and BPR rules were less complex. Additional costs not previously required will also need to be incurred in relation to valuing APR and BPR assets.

Even where businesses and individuals can identify how the proposed changes may impact them, the introduction does not allow for any suitable planning action to be taken in many cases, as detailed in our response to question 12.

Question 14:

What are your views on the proposed timetable for the introduction of these measures, and do you think there should be any transitional provisions?

As noted in our response to question 12, we believe that transitional provisions should be put in place that link the introduction of the changes to the APR and BPR rules to the PET rules. This would allow a greater degree of fairness to those impacted by the changes, enabling a degree of parity of succession planning opportunity with those who hold non-APR and BPR assets.

Consultation on both measures

Question 15:

What are your views on the consultation process the Government has followed in relation to each of these measures?

We welcome the opportunity to contribute to this House of Lords Sub-Committee call for evidence, and the previous Government consultation in relation to specific parts of the draft legislation. For measures of this nature, we believe that it would have been beneficial for the Government to have undertaken a more substantive consultation on the potential policy and wider issues prior to the publishing draft legislation.

Our experts



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