

Coronavirus: proposed extension of Inheritance Tax 'armed forces' exemption to NHS staff and other front-line workers

I wrote the attached letter to the Chancellor on 10th April 2020. I am not expecting a response given the volume of emails his office must receive, but would like to, since I think there is an easy, low cost measure which could help reduce the hardship faced by some front-line workers.

My letter suggests extending the 'armed forces' Inheritance Tax exemption to front-line workers; my letter is here: <https://allanbeardsworth.com/2020/04/13/coronavirus-suggestion-to-extend-the-exemption-from-iht-to-front-line-workers-2/>

I am hoping that by sending many messages, someone in a position of influence will take up the mantel, in the hope that my proposal is given proper consideration. If it helps one bereaved family, I think it would be worth it.

I have also sent my letter to friends within the hospice movement, in case they may be able to pass the idea on e.g. through Hospice UK.

In brief

The estates of armed forces and emergency personnel who die due to injuries or illnesses caught in the line of duty are exempted from Inheritance Tax: the 'armed forces' exemption.

For the majority, the exemption is probably irrelevant; for a few, perhaps a very few, it prevents hardship and also recognises their sacrifice.

I suggest that the exemption be extended to NHS, Hospice and other front-line workers who it is reasonable to assume caught Covid-19 through work.

In more detail

low net assets John, a soldier, dies with an estate below the Inheritance Tax threshold; the 'armed forces' exemption has no effect, not being needed.

married exemption Ann, a paramedic, married to Alan dies with a will leaving her estate to Alan; the 'armed forces' exemption has no effect, not being needed because of the exemption given to legacies to spouses and civil partners.

no valid will Ahmed, a pilot, married to Saadia, dies intestate. Saadia receives part of Ahmed's estate, and this part attracts exemption. But other parts pass by the rules of intestacy to other family members, and Inheritance Tax would be due, except for the armed forces exemption.

cohabiting siblings Jill, a police sergeant, has always lived with her brother Jack; she owns their home. She died having been attacked at work; her will leaves the house to Jack. Inheritance

Tax would have been due, causing Jack to have to sell the house, had it not been for the armed forces exemption.

life insurance not in trust Neil and Lynne live together. Neil, an ambulance driver, dies during the course of attending an accident. Lynne thought that Neil's estate was too small to be within the charge to Inheritance tax. Alas, like the majority of people (see footnote) the life assurance Neil had taken out was not written in trust and so his estate would have had to pay Inheritance Tax, where it not for the 'armed forces' exemption.

living together Frankie and Johnny live together, and felt no need to get married. Frankie, a naval officer, dies in a diving accident. Inheritance Tax would have been payable except for the armed forces exemption.

NHS, Hospice and other front-line workers

There are Ahmeds, Jills, Frankies and Neils in the NHS, at hospices and in other front-line work. It would be a relatively easy amendment to the armed forces exemption- last changed in 2015 to bring in emergency personnel- to exempt them; relieving hardship for a few, and thanking all who day in, day out, put themselves at risk for us.

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Footnote: life assurance (Neil and Lynne example, above)

The Office of Tax Simplification report dated 5th July 2019 on Inheritance Tax records that most life insurance policies are not written in trust. Therefore, people whose assets would otherwise be below the Inheritance Tax threshold can inadvertently be brought into the charge to the tax. This could bring more front line workers into the Inheritance Tax charge than might be expected.

Other areas of Inheritance Tax (Chapters 6 – 12)

Life assurance and pensions

The OTS observes that whether a term life insurance policy is written in trust can make a major difference to its Inheritance Tax status. However, few such policies are written in trust.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/816520/Final_Inheritance_Tax_2_report_-_web_copy.pdf