

MSU/4/8/2/3

14 April 2025

Dear Mark,

**Armed Forces Commissioner Bill: Death in Service and Inheritance Tax**

Thank you for your contribution and support for the Armed Forces Commissioner Bill. During Committee Stage on 19 March 2025, I promised to write to you on the subject of Inheritance Tax and answer your specific questions.

Death in service payments are employment benefits which provide a payment to a deceased employee's beneficiaries if they die while employed by that organisation. Inheritance tax is already applied to death in service benefits for some pension schemes.

I can confirm that there is a full exemption from inheritance tax for service personnel, both regular and reserve, if they die as a result of active service in certain circumstances, recognising the sacrifice of those who put their lives in danger to keep us free and safe.

In addition to this, estates of service personnel will benefit from the normal nil-rate bands, reliefs, and exemptions available. For example, the nil-rate bands mean an estate can pass on up to £1 million with no inheritance tax liability and the general rules mean any transfers, including the payment of death benefits, to a spouse or civil partner are exempt fully from inheritance tax.

We have confirmed with the Treasury that the exemption for the Armed Forces will continue to apply when pension death benefits are brought into scope for Inheritance Tax and the ministerial team are actively engaging with the Treasury to understand the scope of this exemption in practice.

The Rt Hon. the Lord Lancaster of Kimbolton TD  
House of Lords  
London  
SW1A 0PW

I very much look forward to your esteemed examination of the Bill at Report Stage on 30 April 2025.

I have placed a copy of this letter in the Library of the House.

Yours ever,

A handwritten signature in black ink that reads "Vernon Coaker". The script is cursive and fluid, with the first letters of "Vernon" and "Coaker" being capitalized and prominent.

**THE LORD COAKER**