

# HMRC is turning its attention to Inheritance Tax avoida...

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The FT [has noted this morning that](#):

*A tax avoidance crackdown is set to turn the spotlight on previously undetected inheritance tax planning schemes, where HM Revenue & Customs suspects "substantial" sums are at risk.*

HMRC is seeking to close loopholes that allow some [tax avoidance](#) ruses to escape detection, amid signs that scheme promoters are increasingly turning their attention to inheritance tax as tax planning in other areas becomes more difficult.

I do, of course, welcome a crackdown on inheritance tax avoidance. It is necessary. Inheritance tax losses already, [according to HMRC](#), cost the UK at least £400 million a year, or at least 12% of the inheritance tax yield.

Actually, I would suggest that this estimate is a work of fiction, but not because of avoidance but because of evasion. Let's offer a simple example of why this might be the case.

Based on HMRC data for UK wealth, extrapolated from inheritance tax returns, the UK is worth about [£3.5 trillion in all](#), or £4 trillion gross of mortgages, of which £2 trillion is housing. Now I know that was 2010 data, but in many parts of the country house prices have not changed much since then.

According to Land Registry data on housing the average UK house price is [currently £172,011](#) and there are [19.3 million privately owned homes](#) in the UK (4.3 million of them are let out). That makes £3.3 trillion for that one asset alone.

That difference is going to work through to the inheritance tax yield in the end (and yes, I know about the surviving spouse exemption - but we all die in the end - which is the basis on which the HMRC data works).

Something, somewhere is being seriously under-reported for inheritance tax and I suggest that it is evasion and not just avoidance in play here. As for the loss, if anything

like £1.3 trillion of value is going missing from reported estates the under-declaration is going to be a lot more than £400 million a year, even given the time over which that value would have to be declared. It could run to billions a year.

We have a tax gap on inheritance tax for sure. But I suspect the government is looking at the wrong one. Evasion may be the game in town on this tax.