



TaxPayers'
Alliance

SCRAP INHERITANCE TAX

**Everything you need to
know about the death tax**

"A voluntary levy paid by those who distrust their heirs more than they dislike the Inland Revenue."

Roy Jenkins, former chancellor of the exchequer

"It is not right to tax people's incomes, then their savings on that income, to tax the movement of assets through capital gains tax, stamp duty and tax them again through inheritance tax if they have the audacity to die."

Sir Liam Fox, former MP and secretary of state

"The estate tax punishes years of hard work and robs families of part of their heritage by imposing a huge penalty on inheritance after death – a tax on money that has already been taxed."

Mike Fitzpatrick, former US congressman

Inheritance tax is the most hated tax in Britain

Families who have worked hard, saved responsibly, and paid tax all their lives should not be hit with another bill simply for passing on what they have built to their loved ones. It punishes aspiration, undermines the basic principle of private property, and forces many to sell family homes or businesses just to cover the cost.

Not only is it unfair, but inheritance tax is also fiendishly complex. With a maze of exemptions, reliefs, and loopholes, it often requires expensive legal advice to navigate – meaning the wealthiest can plan around it while ordinary families are left to foot the bill.

Despite all this, it raises a tiny fraction of government revenue. Inheritance tax is an outdated, punitive levy that creates more problems than it solves. It's time to scrap it for good.

Rory McGregor
Chairman, TaxPayers' Alliance



Britain's most hated tax

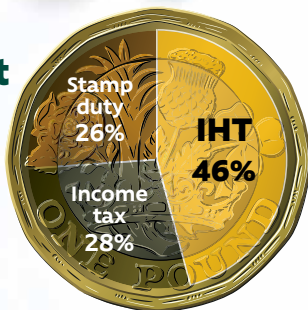
A majority of Brits want IHT cut or abolished (55%)

Every group polled except those with a PhD ranked IHT as the most unfair tax

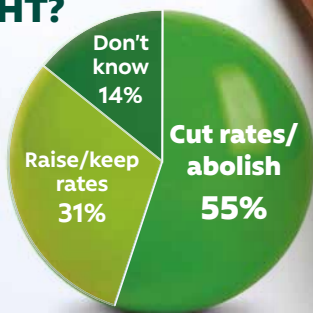
63% of Brits want IHT scrapped for farmers and **59%** want it scrapped for family businesses

What the public says

What is the least fair tax?



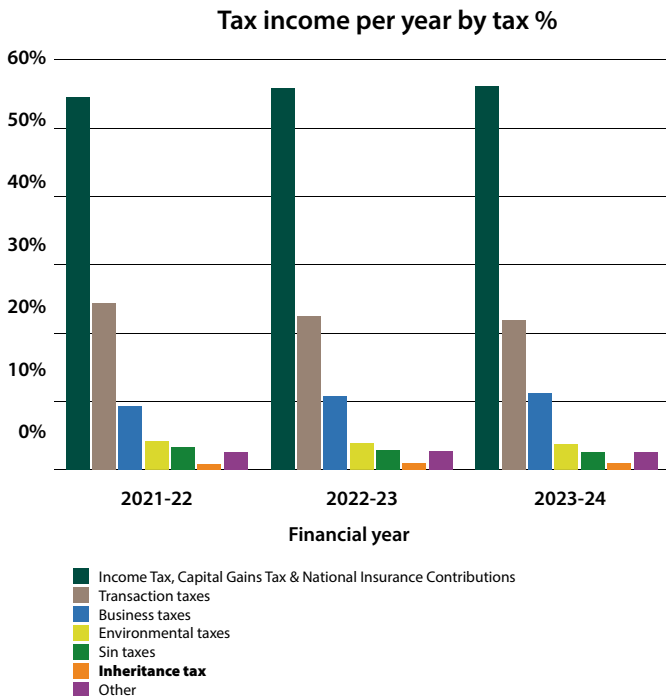
What should the government do with IHT?



SOURCE: PUBLIC FIRST POLLING FOR THE TAXPAYERS' ALLIANCE

A tax of little value

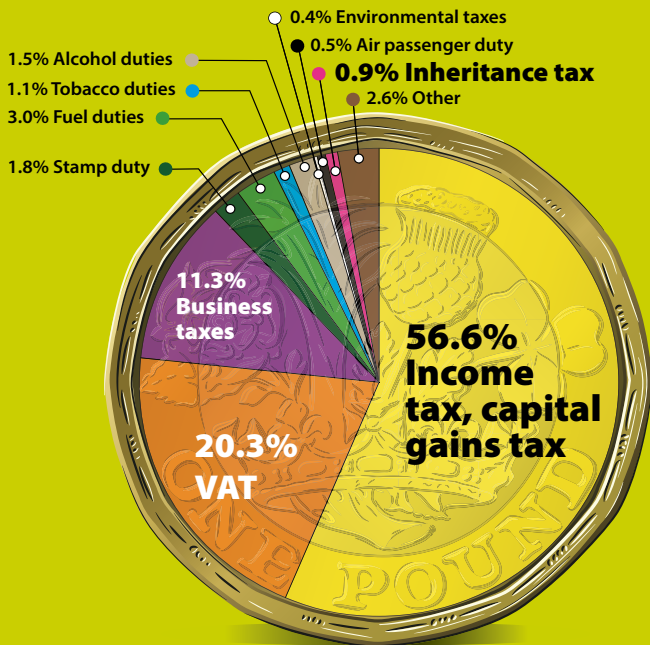
IHT has consistently raised less than 1% of tax revenue despite being one of the most complex taxes



SOURCE: HM REVENUE & CUSTOMS

A tax of little value

IHT made up just 0.9% of total tax revenues in 2023-24



SOURCE: HM REVENUE & CUSTOMS

Spending equal to IHT revenues

IHT raised £7.5 billion in 2023-24

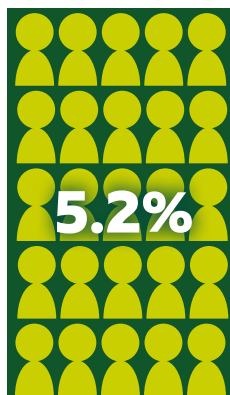
If this money wasn't wasted then IHT could be scrapped entirely

	Value (£)
Inheritance tax receipts 2023-24	7,499,000,000
Half of foreign aid spending 2024-25	6,650,000,000
EDI roles in the public sector	427,000,000
Housing migrants in hotels rather than large sites	153,000,000
Reducing government procurement card spending by 15%	101,250,000
Public sector trade union facility time costs	98,200,000
Arts and Humanities Research Council 2024-25 annual budget	70,000,000
Taxpayer funded lobbying	19,080,792
DCMS Bradford UK City of Culture 2025 funding	10,000,000
Foreign Office funding to the BBC	3,020,000
Government Stonewall funding	618,757
TOTAL	7,532,169,549

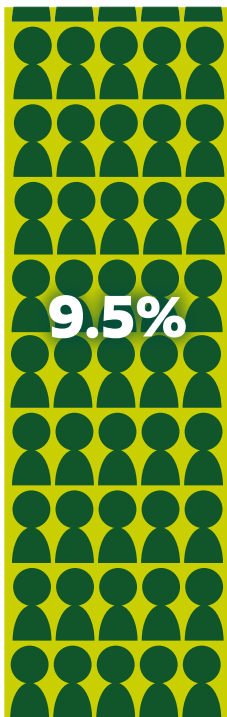
SOURCES: VARIOUS

The number of estates impacted is growing

The number of estates liable for IHT is set to increase substantially from 5.2% in 2023-24 to 9.5% in 2029-30 thanks to the October 2024 budget



2023-24



2029-30

SOURCE: OBR

Complexity of the tax

Gift allowances

The UK has the longest tax code in the world and IHT is one of the most complex parts of it. The gift allowance alone, which allows you to give away a certain amount each year without being taxed, has the following caveats:

- **Give up to £3,000 tax free and carry any unused exemption over for one year**
- **Give up to £250 tax free to unlimited people as long as the £3,000 allowance isn't used on the same person**
- **Birthday and Christmas gifts given from regular income are exempt**
- **As a wedding gift you can give your child £5,000, your grandchild £2,500 or anyone else £1,000**
- **No IHT is owed if you live for 7 years after gifting**

SOURCE: GOV.UK



Complexity of the tax

other caveats

The gift allowance is just one caveat...
here are some more!

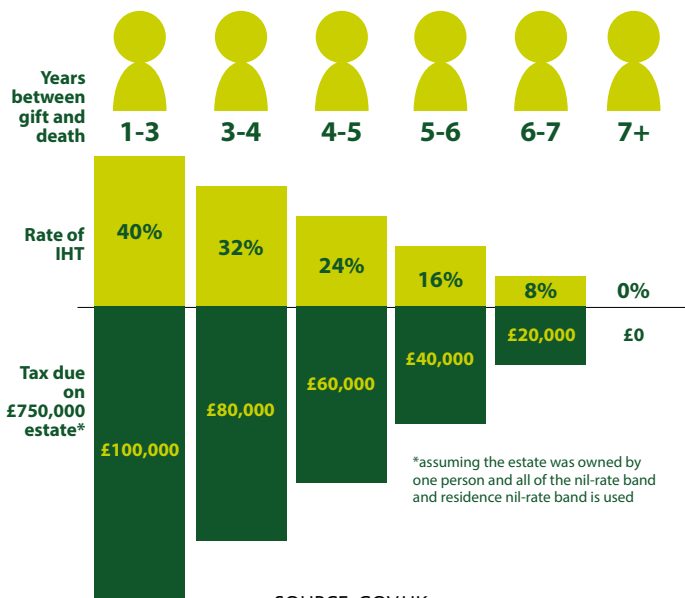
Caveat	Impact
Estate valuation	Disputes with HMRC over valuations can arise
Spouse/ civil partner exemption	Transfers between spouses or civil partners are generally exempt
Business property relief and agricultural property relief	These reliefs can significantly reduce IHT liabilities for business and agricultural assets, but they have complex eligibility criteria
Trusts	Different trusts carry different IHT rules
The Residence Nil-Rate Band Tapering	When an estate is valued over 2 million pounds, the RNRB is reduced
Charitable donations	Exempt from IHT

Complexity of the tax

7 year rule

IHT can be simply avoided, with tax planning... and luck

All six people leave the same value estate, but the beneficiaries will pay different tax rates on the eligible elements of that estate depending when they die



SOURCE: GOV.UK

Complexity of the tax

Probate

Probate is the process by which a will is found valid and control of an estate is handed on

Last Will

- The IHT liability must be established and typically a payment made towards it before probate can be granted
- Delays, such as dispute of the value of the estate, cause problems if the inheritance is needed quickly
- IHT is typically due within 6 months of death, a delay can mean assets must be sold, and at a lower cost to meet the burden
- Failure to pay the IHT liability in full within 6 months will normally result in interest being payable on the outstanding liability
- As of 6 April 2025, the interest rate charge for late payment of inheritance tax liabilities is 8.5%

SOURCE: GOV.UK

Myths



IHT is fair as it only taxes the rich ● ● ●

Only 500 farms will be affected by the changes to agricultural property relief each year ● ● ●



IHT revenues are vital to fund public services ● ● ●

Only 4% pay IHT so it doesn't impact many people ● ● ●

vs facts

- ● ● Rising house prices and frozen thresholds are forcing more people to pay IHT, **the richest estates often avoid it through tax planning**
- ● ● Up to **70,000** farms could be affected overall
- ● ● IHT accounted for **less than 1% of tax revenues** in 2023-24
- ● ● Only 4% of estates are subject to IHT but **each estate will impact multiple people**

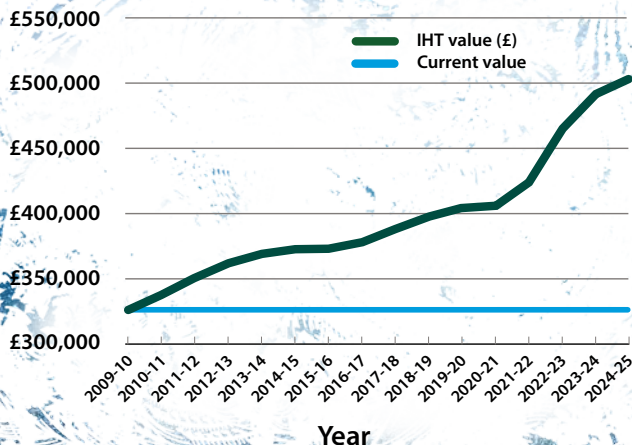


Autumn 2024 budget changes

The IHT threshold is feeling the freeze

The standard IHT threshold has been frozen at £325,000 since 2009-10 dragging more people into paying tax

If it had increased with inflation it would have risen to over £500,000, an increase of more than £175,000



Autumn 2024 budget changes

Nil-rate band and residence nil-rate frozen again

The Chancellor extended the freeze for the standard and residential IHT thresholds for another two years. This means they will be frozen until 2029-30. Here's what they could be if they increased with inflation:

Financial year	Nil-rate band value (£)
2024-25	325,000
2025-26	333,405
2026-27	340,666
2027-28	347,858
2028-29	355,026
2029-30	362,187
Total change	37,187

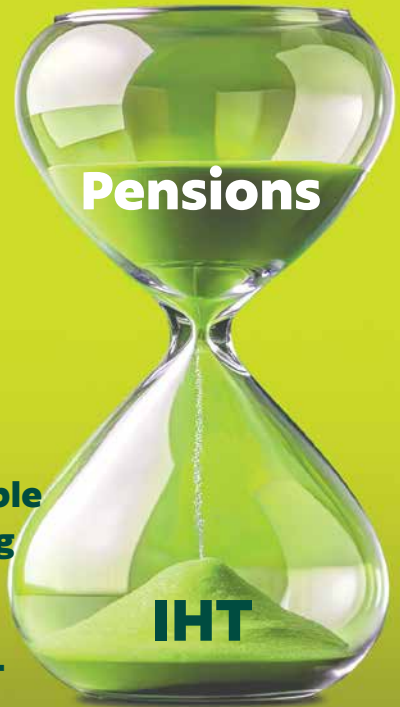
Financial year	Residence nil-rate band value (£)
2024-25	175,000
2025-26	179,526
2026-27	183,436
2027-28	187,308
2028-29	191,168
2029-30	195,024
Total change	20,024

Autumn 2024 budget changes

Pensions added to estate value

Before the budget,
pensions were
exempt from IHT...

**BUT from 2027
IHT will apply to
unused pension
wealth transferable
at death, meaning
couples passing
on pensions will
be eligible for IHT**



SOURCE: HM REVENUE & CUSTOMS



Autumn 2024 budget changes **More paying IHT**

This change to the treatment of pensions from the budget will mean:

10,700 estates
paying IHT for the first
time in 2027-28

38,500 estates
paying more IHT in 2027-28

150,000 families
facing higher IHT bills during
this Parliament

Autumn 2024 budget changes

Business & farm tax

The chancellor announced that agricultural property relief (APR) and business property relief (BPR) will change from 2026

These changes will devastate family farms and businesses and raise little for public services



SOURCES: TAXPAYERS' ALLIANCE, LIBERAL DEMOCRATS, IFS,
CHARTERED INSTITUTE OF TAXATION

Autumn 2024 budget changes

Impact on farms and businesses

To tax a business just because the owner happens to have died, it shows a complete lack of understanding of the decisions that people make in starting up and running a business."

Lance Forman - H Forman & Son

"Every penny the chancellor saves from this will come directly from the next generation having to break-up their family farm."

Tom Bradshaw - NFU

"A self-defeating move by any government elected on a mandate to deliver long-term economic growth and prosperity."

Neil Davy - FBUK

"Robbing the future of British agriculture."

Farmer

Countries with reduced or no IHT



Australia



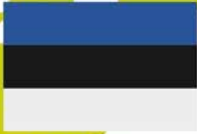
Austria



Cyprus



Czech Republic



Estonia



France



India



Israel



Latvia



Liechtenstein



Lithuania



Malta

IHT isn't the norm, there are lots of countries which have more limited inheritance taxes or none at all



Mexico



New Zealand



Norway



Oman



Portugal



Serbia



Singapore



Slovakia



Slovenia



Sweden



Switzerland

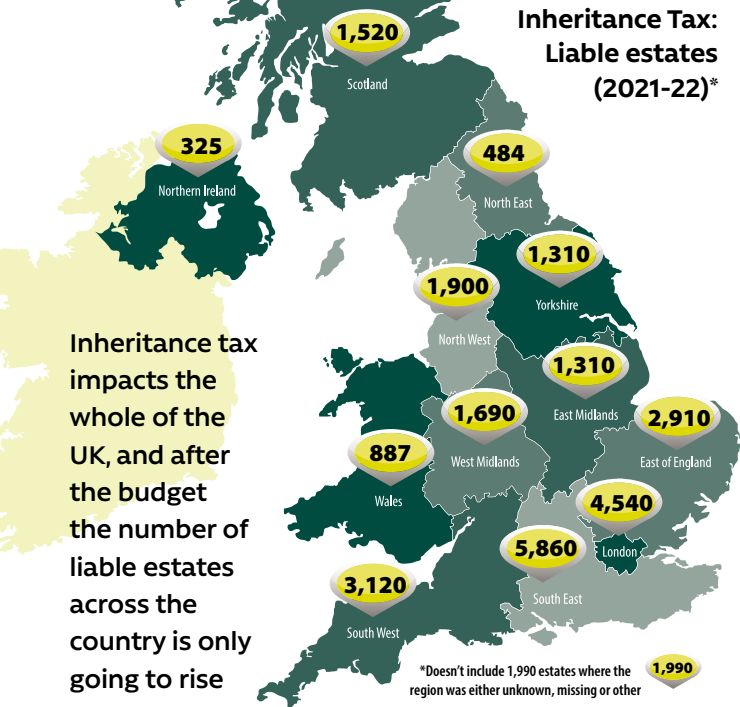


United Arab Emirates

SOURCE: LORENZ & PARTNERS

A tax for the whole of the UK

**Inheritance Tax:
Liable estates
(2021-22)***



Inheritance tax impacts the whole of the UK, and after the budget the number of liable estates across the country is only going to rise

SOURCE: HM REVENUE & CUSTOMS

A medieval tax



IHT dates back to 1222 during the reign of Henry III

It originated as feudal dues – payments required before inheriting property

Henry III was also known for:

- Weak leadership – *sound familiar?*
- Financial mismanagement – *nothing's changed there*
- Giving away English land – *just like the Chagos deal*

The current government is reviving his legacy by taking more and delivering less

In the time it took you to read this
booklet grieving Brits had to pay

£142,675*

in inheritance tax!

SCRAP INHERITANCE TAX


For further details, please visit
www.scrapinheritancetax.com

*based on average reading time of 10 minutes.

This factbook was generously supported by Mr Martin Haslam


For full source details go to
www.taxpayersalliance.com/scrapinheritancetax

The TaxPayers' Alliance
55 Tufton Street, London SW1P 3QL

 +44 (0)20 7340 6020
07795 084 113 (24-hour media enquiries)

@ info@taxpayersalliance.com

 taxpayersalliance

 @the_tpa

 taxpayersallianceUK

 the-tpa-uk

 www.taxpayersalliance.com



Lower taxes

Less waste

More accountability

www.taxpayersalliance.com