

DEMOS

Public attitudes to inheritance tax

Demos insights



Content



The assumptions about public attitudes to inheritance tax



Questioning the assumptions



Moving beyond the polls



The assumptions

“Britain’s most hated tax”

Inheritance tax is Britain’s most unfair levy, according to poll

Results come as pressure builds on Rishi Sunak to scrap the charge ahead of a general election

£1m inheritance tax threshold could win us the election, say Tory MPs

Backbench Treasury Committee chair believes tax reform can change political narrative

But why?

Inheritance tax is a spectre that haunts Britain – it must be abolished

Rishi Sunak has a golden opportunity to do away with this ‘morally wrong’ tax



NADHIM ZAHAWI

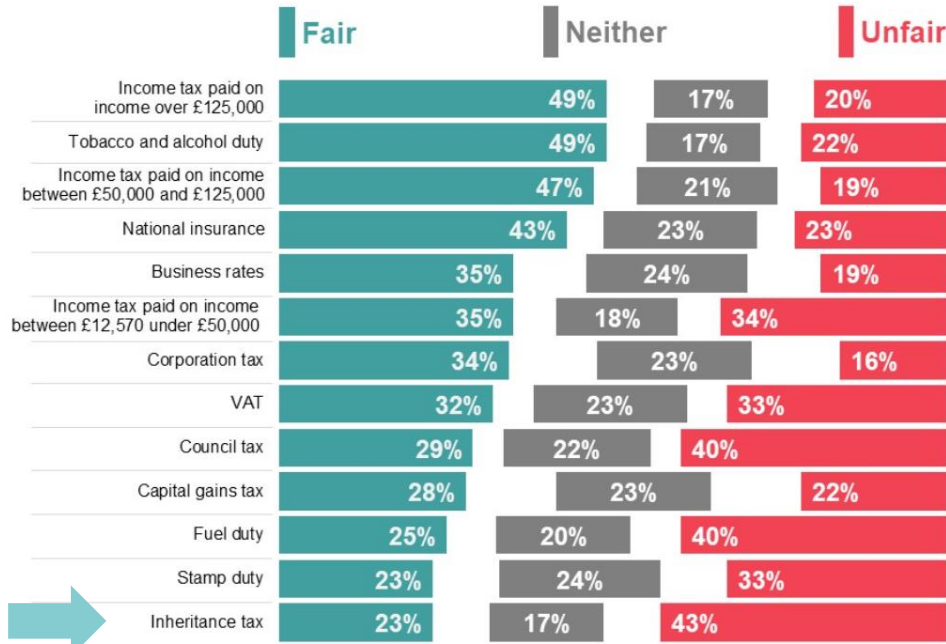
31 May 2023 • 9:30pm

Rishi Sunak draws up plans to slash inheritance tax

Targeting ‘the most hated tax in Britain’ is just one of the crowd-pleasing policy changes in the mix for the Tory conference

“Inheritance tax is seen as the least fair tax”

Overall, do you consider the following taxes to be fair or unfair?

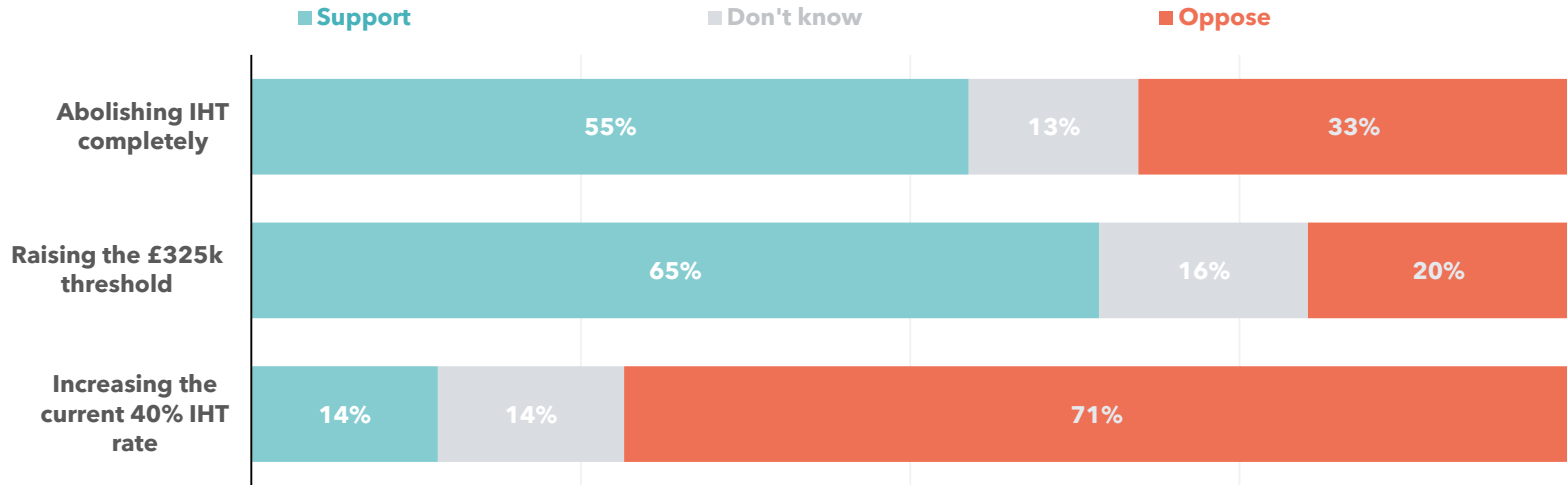


Source: Ipsos, June 2023

“The public support abolishing inheritance tax”

A majority of the public support support abolishing inheritance tax or raising the threshold

Would you support or oppose the following policies?



Source: YouGov poll for Kingsley Napley, September 2023



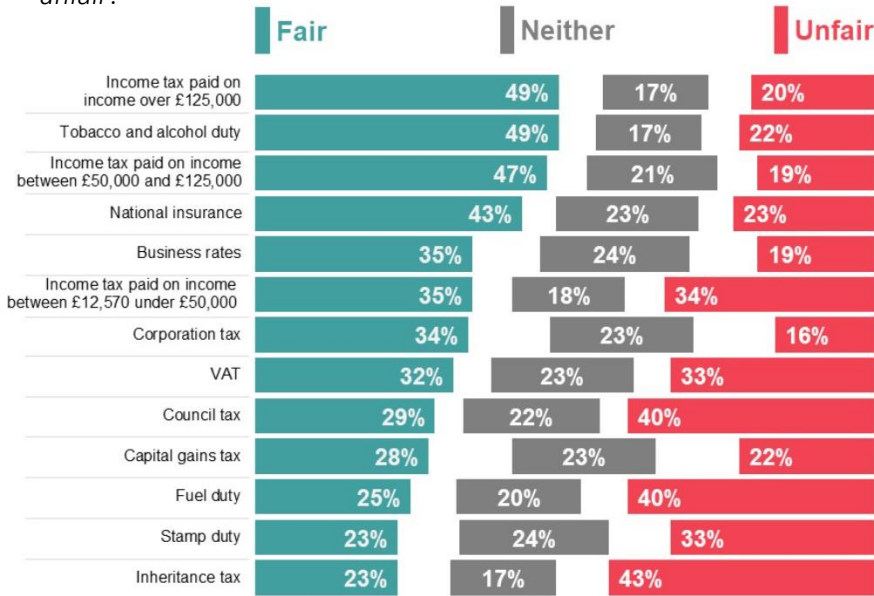
**Questioning
the
assumptions**



Inheritance tax is seen as least fair... but not prioritised for a cut

Inheritance tax is seen as the least fair tax...

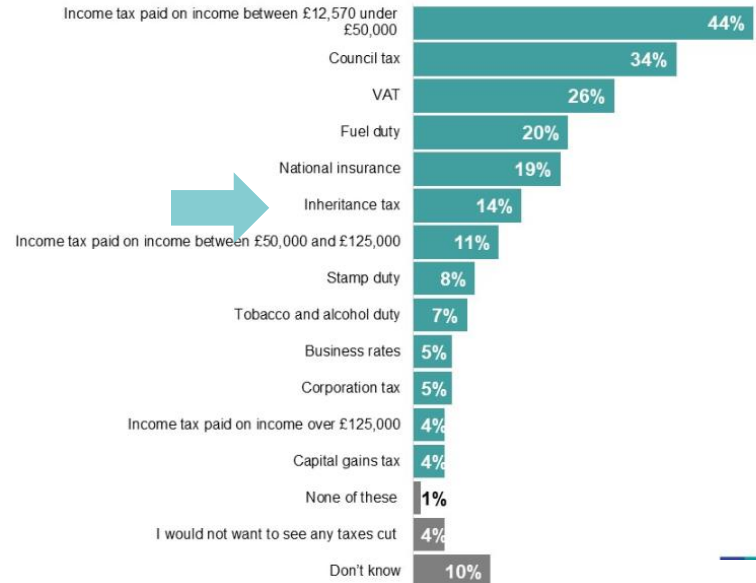
Overall, do you consider the following taxes to be fair or unfair?



Source: Ipsos, June 2023

...But it's not prioritised for a tax cut

Imagine the government were in a position to cut taxes. Which of the following would you most prefer to see cut? Choose up to three

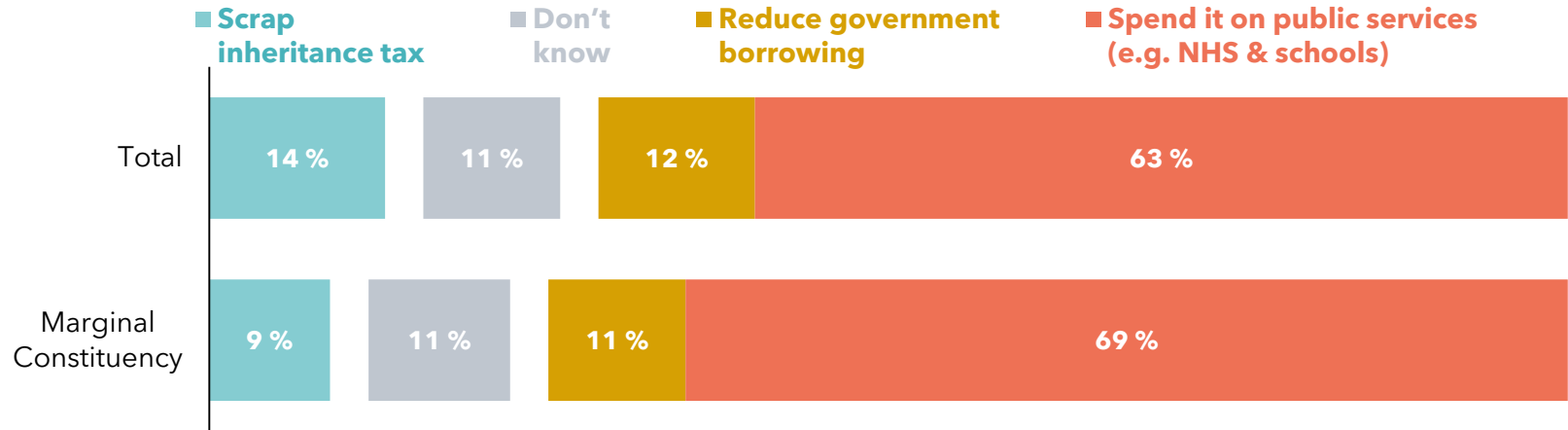


Source: Ipsos, June 2023

The public do not think scrapping IHT is worth the trade-off

Just one in seven Brits think the government should scrap inheritance tax, rather than use the money for other things

Abolishing inheritance tax would cost £7 billion each year and £15 billion each year by 2032. If there was only money available for one of

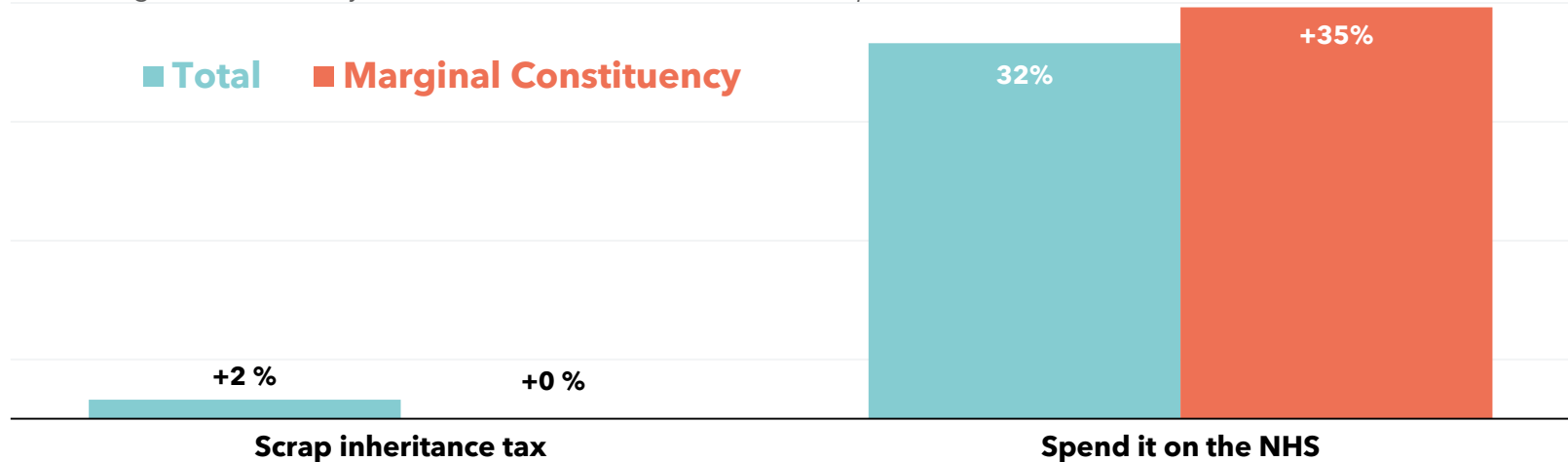


Source: Demos, October 2023

Scrapping IHT would hardly boost the Conservatives' favourability

Conservatives would get a two percentage point net boost in favourability from scrapping IHT and no boost in marginal seats, but a huge boost from NHS spending

Net change in favourability for the Conservatives due to different policies

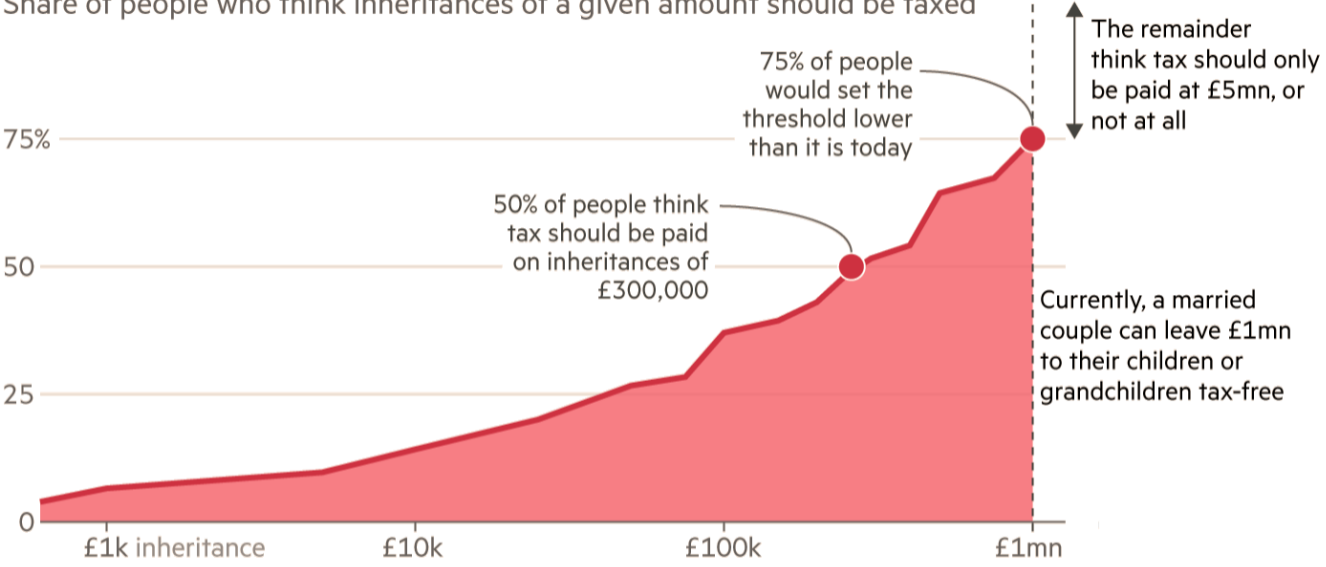


Source: Demos, October 2023

In theory, the public want higher taxation on inheritances

When asked to set their own threshold, almost four in five support tax on some amounts of inheritance

Share of people who think inheritances of a given amount should be taxed



Source: Demos: *The Inheritance Tax Puzzle; challenging assumptions about public attitudes to inheritance*
FT graphic: John Burn-Murdoch / @jburnmurdoch

Three reasons why the disparity occurs

1. Some polls ask people to think about inheritance tax in isolation, but others make people consider the trade-offs.
2. Questions on fairness push people to think about the morality of inheritance tax. But when considering a policy reform, many are more concerned about how it will affect them financially.
3. Some people see inheritance tax as unfair because of how it is designed. These people may prefer to reform rather than scrap the tax



**Moving
beyond the
polls**

We divided the population using a cluster analysis

Survey

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graph TD; A[Survey] --> B[Cluster analysis]; B --> C[Focus groups];
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Cluster analysis

Focus groups

We found four distinct groups who think about IHT differently



ASPIRATIONAL INDIVIDUALISTS

*Non-graduate, older, home-owning, Conservative voters
(30% of the population)*



FISCAL SCEPTICS

Middle-aged, middle income, renters (22%)



SOCIAL PRAGMATISTS

Older, home county, home owning, high-earners (23%)



RADICAL PROGRESSIVES





Young metropolitan graduates (25%)

Tends to think most inheritances should be **tax-free**

Tends to think most inheritances should be **taxed**

Most agree that IHT is important for government funding





Agree
 Partially agree
 Disagree

Attitudes driving sympathy with inheritance tax					
Full agreement	'The ultra-wealthy are too wealthy'	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	'It is important that the government has funds'	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	'Scrapping inheritance tax could cause unacceptable trade-offs'	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Agreement among three groups	'Inheritance of things like secondary homes should be taxed more'	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	'It is right to tax inheritances as long as the threshold is at the right level'	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Source: Demos, September 2023.

Most agree that IHT needs reform and a better reason why it exists





Agree
 Partially agree
 Disagree

Attitudes driving concern about inheritance tax					
Full agreement	'Inheritance has a small impact on inequalities in the UK'	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	'Inherited inequality is just a part of life'	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	'Money from the tax system should be spent better'	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	'Government spending isn't transparent enough'	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	'We need to be given a better reason why inheritance taxation exists'	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	'Inheritance taxation risks being the politics of envy'	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	'Avoidance of inheritance tax is a problem'	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Source: Demos, September 2023.

Many are concerned about IHT over-reach

Agree
 Partially agree
 Disagree

Attitudes driving concern about inheritance tax					
Agreement among three groups	'Inheritance tax places too many burdens at a sad time'	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	'Inheritance taxation is a problem because it's double taxation'	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	'Inheritance taxation can be anti-aspiration'	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Agreement among two groups	'People have a right to their family's property'	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	'Capital gains should not be taxed in inheritance'	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	'Inheritance tax is just government grabbing money wherever they can'	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	'We shouldn't tax inheritances as it means some people are hit unfairly'	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	'Inheritance tax should not be used to tackle generational inequality'	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Source: Demos, September 2023.

People feel that IHT doesn't benefit them and is poorly designed

With like stuff like VAT and council tax, you're getting something in return, aren't you? Obviously, if I'm buying a product, yes, you're going to pay 20% tax on that. If I'm paying council tax, I'm getting a service in return. Whereas inheriting tax, it's money which I've already paid tax on, it's not doing anything. I'm not going to get anything out of it.

- Social Pragmatist. 35, Male, London, Homeowner.

It seems to be a very middle-income tax, which I don't really like the idea of that because it should be progressive. I think I agree with having one, but I think it's too easy for the ultra-wealthy to find a way to avoid.

- Social Pragmatist. 28, Male, Wales, Homeowner.

If they're bold, politicians can secure IHT in the longer-term

Reforms to explore

- 1. Hypothecation** - linking IHT to compelling spending commitments
- 2. Fixing loopholes** - making the system simpler and harder to avoid
- 3. Easing the administrative burden** - allowing people more time to pay IHT after a death
- 4. Linking thresholds to property prices** - shifting thresholds in some proportion to changes in property prices
- 5. Shifting the focus onto the wealth of the recipient** - by taxing receipt of inheritance and adjusting the rates based on the recipient's wealth

THANK YOU



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