DEMOS

WINNING THE ARGUMENT

HOW TO UNLOCK PUBLIC SUPPORT FOR INHERITANCE TAXATION

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Any errors remain the authors' responsibility.

Dan Goss and Ben Glover.

September 2023.

ABOUT THE UNLOCKING INHERITANCE PROGRAMME AT DEMOS

With inheritances becoming increasingly important in people's lives, Demos is undertaking a long-term programme of work to explore what the UK's 'new age of inheritance' means for the country. This programme is supported by the Abrdn Financial Fairness Trust.

With invaluable support from our Advisory Group, we have published research on the socioeconomic impacts of the 'new age of inheritance', the nuances in public attitudes to inheritance taxation, and how to approach inheritance policy from both a Conservative and Labour perspective. We have also engaged with policymakers, policy influencers and civil society to drive a wider conversation about how to address these issues.

In upcoming research, we will expand that engagement, and advance the understanding of inheritance tax reform through deliberative public attitudes research and economic modelling.

We'd love to hear from you with any questions or thoughts about our work. If you would like to get in touch, please email Dan Goss at dan.goss@demos.co.uk.

AN INCLUSIVE ECONOMY

This is part of Demos's wider work to help create an ***Inclusive Economy*** - one in which all people have security, opportunity, and respect. Our research shows that inheritances - people's increasing reliance on them, their inequalities, and an ill-equipped inheritance tax - plays a part in financial insecurity, inequality of opportunity, and underfunded public services. A new ambitious approach to inheritance policy is needed to address that.

At Demos we also put people at the heart of policy-making. In this project, all our recommendations are guided by what the public has told us in surveys and focus groups.

EXECUTIVE SUMMARY

Over £100 billion is passed across generations each year in the UK in inheritances and gifts - and that number is growing rapidly.[1] For the average adult in their late 40s, inheritances are expected to increase their lifetime income by 16% - rising to 29% for those from the wealthiest backgrounds. At Demos, we have argued we are entering a 'new age of inheritance' - and it will mean people's economic chances are increasingly determined by the wealth of their parents.[2] Despite this, a group of politicians led by ex-Chancellor Nadhim Zahawi are pushing for inheritance tax to be scrapped, in part as an 'easy vote winner'.[3] The government is now considering offering this ahead of the next general election.[4]

Through our Unlocking Inheritance programme, Demos is investigating how policy needs to respond to this new economic era and the current political debate. As part of this, we are advancing a deeper, more accurate understanding of public attitudes to inheritance policy.

This report draws on a cluster analysis - which identifies the naturally occurring patterns in data - of our nationally representative survey of 2,037 people, the most in-depth to data on attitudes to taxing specific inheritances. This identified four distinct attitudinal cluster groups in the population. We then ran a series of twelve focus groups - three with each attitudinal cluster - involving over 100 members of the public. We find that, while there are disagreements and concerns about inheritance taxation, politicians, campaigners and advocates can win the public over on taxing inheritances if they put forward the right arguments, framings and reforms. This report shows them how to do so.

1 Goss D and Glover B, A New Age of Inheritance: What does it mean for the UK?, Demos, 23 January 2023, https://demos.co.uk/ research/a-new-age-of-inheritance-what-does-it-mean-for-the-uk/

2 Bourquin P, Joyce R and Sturrock D, Inheritances and inequality over the life cycle: what will they mean for younger generations?, Institute for Fiscal Studies, 26 April 2021, https://ifs.org.uk/sites/default/files/output_url_files/R188-Inheritances-and-inequality-overthelifecycle%252520%2525281%252529.pdf

3 Brown F, 'Nadhim Zahawi sparks debate after calling for Sunak to scrap 'morally wrong' inheritance tax', Sky News, 1 June 2023, https://news.sky.com/story/nadhim-zahawi-sparks-debate-after-calling-for-sunak-to-scrap-morally-wrong-inheritance-tax-12894

4 Swinford S and Wright O, 'Inheritance tax could be scrapped in Tory bid for votes', The Times, 14 July 2023, https://www.thetimes.co.uk/article/inheritance-tax-end-scrapped-government-plan-2024-29hhrpfdm

OUR CLUSTER ANALYSIS IDENTIFIED FOUR ATTITUDINAL "TYPES" OF PEOPLE:

ASPIRATIONAL INDIVIDUALISTS

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

The Aspirational Individualists are the most opposed to inheritance taxation. They think about inheritance tax in terms of emotive associations like 'death tax' and 'double taxation', as well as individual anecdotes about them or people they know, often centred on hard work and aspiration. While some hold firm on these principles in more in-depth discussions about inheritance taxation, others feel the trade-offs could justify inheritance taxation.

FISCAL SCEPTICS

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

The Fiscal Sceptics are generally opposed to taxing inheritances when asked in a general sense. They strongly associate it with issues such as tax avoidance and the personal stress of doing tax admin after a death. Most are sceptical about tax and public spending, feeling that the government takes people's money wherever they can and doesn't spend it well. In more in-depth discussions, however, these concerns often become less salient, and many frame inheritance tax as a 'necessary evil' to fund government. Yet, they disagree widely over where the inheritance tax threshold should be.

SOCIAL PRAGMATISTS

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

The Social Pragmatists are generally supportive of taxing inheritances when asked in a general sense, particularly as they see it as a pragmatic way to contribute to public spending and its social benefits. Yet, many feel that they would like a clearer idea that their inheritance is being used for useful social investments and that problems around avoidance should be better dealt with. Some also see inheritance tax as helping to tackle generational inequality and tax unearned income more.

RADICAL PROGRESSIVES

Young metropolitan graduates (25%)

The Radical Progressives are most supportive of taxing inheritances. They are generally more positive about the tax system and public spending - seeing it as a progressive system to tackle structural problems like inequality and support the poorest in society. They think inheritance taxation is a good way to fund that, given it tends to target the wealthy. They also often see inheritance, first and foremost, as a new income for the receiver, and so see inheritance taxation as helping to tackle generational inequality and increase tax on unearned income. They discuss thresholds much lower than other groups, often relativised to wages rather than house prices.

POINTS OF AGREEMENT BETWEEN ATTITUDINAL GROUPS

We analysed which specific attitudes drive support for inheritance taxation across multiple attitudinal groups, and those that drive concern about inheritance taxation. The tables below outline the key attitudinal drivers and the groups agreeing with each attitude (full shading indicates near-full group agreement, lighter shading indicates partial agreement).

Agree Partially agree Disagree

	ATTITUDES DRIVING SUPPORT FOR INHERITANCE TAXATION				
Full agreement	'The ultra-wealthy are too wealthy'				
	'It is important that the government has funds'				
	'Scrapping inheritance tax could cause unacceptable trade-offs'				
Agreement among three groups	'Inheritance of things like secondary homes should be taxed more'				
	'It is right to tax inheritances as long as the threshold is at the right level'				
	'The value of inheritance is the most important consideration for the tax'				
Agreement among two groups	'Double taxation is not always bad'				
	'We should tax inheritance of capital gains'				
	'Inheritance taxation it taxes unearned income more'				
	'Inheritance taxation should be used to tackle generational inequality'				

Agree Partially agree Disagree

	ATTITUDES DRIVING CONCERN FOR INHERITANCE TAXATION				
Full agreement	'Inheritance has a small impact on inequalities in the UK'				
	'Inherited inequality is just a part of life'				
	'Money from the tax system should be spent better'				
	'Government spending isn't transparent enough'				
	'We need to be given a better reason why inheritance taxation exists'				
	'Inheritance taxation risks being the politics of envy'				
	'Avoidance of inheritance tax is a problem'				
Agreement among three groups	'Inheritance tax places too many burdens at a sad time'				
	'Inheritance taxation is a problem because it's double taxation'				
	'Inheritance taxation can be anti-aspiration'				
Agreement among two groups	'People have a right to their family's property'				
	'Capital gains should not be taxed in inheritance'				
	'Inheritance tax is just government grabbing money wherever they can'				
	'We shouldn't tax inheritances as it means some people are hit unfairly'				
	'Inheritance tax should not be used to tackle generational inequality'				

A TOOLKIT FOR ENGAGING WITH INHERITANCE TAX POLICY

The above analysis demonstrates that, despite widespread concerns about inheritance taxation, there is a recognition across all attitudinal groups that it plays an important role in providing government funds. In more in-depth discussions, most also see it is a fair tax as long as the threshold is set at the right level.

Policymakers who agree we should keep inheritance tax need to align with the narratives that drive support, while addressing, mitigating or avoiding shared concerns. They should do so both to defend the tax from efforts to scrap it, and to explore reforms in the longer-term. We identify the key narratives and reforms that would help do this - collectively acting as toolkit for engaging with inheritance taxation.

Narratives to defend inheritance taxation:

1. **Emphasise the trade-offs** - stressing that a cut to inheritance tax will be funded either by spending cuts or other taxes rising, both of which would be harmful during a cost of living crisis. For those who are more sceptical about inheritance tax, this will appeal to the widespread sense that it is a 'necessary evil'. For those more optimistic about the tax, this will reaffirm the importance of its contribution to government funds.

2. **Emphasise current thresholds** - highlighting that the large majority of estates worth under a million pounds are not charged inheritance tax. This will help reframe it as a tax mainly on higher amounts of wealth. Meanwhile, the emotive - often negative - associations with inheritance tax often slip away when people discuss specific thresholds and estates of a particular value, rather than discussing the tax in general.

3. **Associate it more strongly with taxing wealth rather than work** – highlighting that huge sums of wealth are passed on in the UK and that inheritance tax means this - rather than workers' incomes - helps fund public services more. This would help tackle the feeling that inheritance tax is an anti-aspirational tax on the hard-earned savings of workers - instead associating with a tax on high amounts of wealth.

Reforms to explore:

1. **Hypothecation** - linking inheritance taxation to popular spending commitments that provide a clear sense that people are getting something in return. It is important to link to spending commitments that can explain why it is inheritances being taxed, rather than other flows of money. This will ease concerns that inheritance taxation is arbitrary, and in turn concerns about double taxation.

2. **Fixing loopholes** - by reforming the exemptions and simplifying the tax to ensure the wealthiest estates pay a fair rate. This will ease the widespread concerns that inheritance taxation is easy to avoid, and therefore a faulty tax that mainly hits the middle classes. Meanwhile, it will help diminish the extent to which the tax is seen as too complex.

3. **Easing the administrative burden** - by allowing people to pay inheritance tax a year after death rather than six months. This would help alleviate concerns that inheritance tax places too many burdens on people at a sad time - contributing to the sense that it is a 'death tax'.

4. **Linking thresholds to property prices** - by adjusting thresholds each year in accordance with changes in the average house price. This would give people confidence that most main residences will not be charged inheritance tax and that the government is not just using inheritance tax as a stealth tax.

5. **Shifting the focus onto the wealth of the recipient** - by basing thresholds on the amount received and recipient's present wealth. UK inheritance tax thresholds are based on how much is passed on, but most other OECD countries base them on how much is received. In Spain, wealthier recipients also pay higher rates. With such a system, some people may see inheritance tax more as a cost to the recipient than the giver - helping to alleviate concerns about punishing aspiration and double taxation.

INTRODUCTION

Many households in the UK have seen their wealth surge in recent decades. Fuelled in large part by years of low interest rates and insufficient housebuilding, house prices have skyrocketed and pension asset prices have soared. Now, over £100 billion is passed across generations each year in inheritance and gifts - and that number is growing rapidly.[5]

This is the UK's 'New Age of Inheritance'. It means those with wealthy parents are increasingly handed a large financial safety net, a boost in upward social mobility and a leg up in the housing market. Meanwhile, those without wealthy parents - more likely to be on lower incomes, in the North of England, of ethnic minority background and non-graduates - lose out. This is making it harder for the government to level up the country, and ensure equal opportunities and financial security.

Our current policy isn't equipped to address this. Despite its increasing value, 96% of inheritances are passed on completely tax-free, and the most valuable estates are charged a lower tax rate than others.[6] Equally, while government funds are under immense pressure, taxation of inheritances currently contributes less than 1% of UK tax revenue.[7,8] The £100 billion passed on in inheritance therefore presents a key opportunity to help ease that pressure.

PUBLIC ATTITUDES TO INHERITANCE TAXATION

Despite the need for an ambitious inheritance taxation policy, it is widely suggested that taxing inheritances is unpopular. When asked questions like 'How fair is inheritance tax?' or 'Do you believe in the concept of inheritance tax?', opposition is high.[9,10] On this basis, rather than working to develop an ambitious new policy approach to inheritance, many politicians are going the other way, seeing a cut to inheritance tax as an electoral slam dunk. Nadhim Zahawi initially led a coalition of Conservative MPs calling for it to be scrapped, and soon rumours spread that the government was holding talks on the matter, possibly as a flagship offer to voters in the next general election.[11,12]

Our initial public attitudes research challenges these previous assumptions, showing that attitudes to inheritance taxation are multilayered and conflicted.[13] While people are opposed to inheritance tax when asked about it in abstract (55% say all inheritances should be tax-free), they are much more supportive when asked about specifics - just 21% say all inheritances should be tax-free when presented with specific amounts. Attitudes also change depending on differences in how the inheritance is framed, even when there are no substantive differences. And while it has been assumed that people's views on inheritance tax are not driven

5 Goss D and Glover B, A New Age of Inheritance: What does it mean for the UK?, Demos, 23 January 2023, https://demos.co.uk/ research/a-new-age-of-inheritance-what-does-it-mean-for-the-uk/
6 HM Revenue and Customs, Inheritance Tax statistics: commentary, 26 July 2023, https://www.gov.uk/government/statistics/inheritance-tax-statistics-commentary/inheritance-tax-statistics-commentary
7 Office for Budget Responsibility, Inheritance tax, 21 April 2023, https://obr.uk/forecasts-in-depth/tax-by-tax-spend-by-spend/inheritance-tax/
8 Office for Budget Responsibility, The UK's tax burden in historical and international context, March 2023, https://obr.uk/box/the-uks-tax-burden-in-historical-and-international-context/
9 YouGov, 'How fair is inheritance tax?', no date, https://yougov.co.uk/topics/politics/trackers/how-fair-is-inheritance-tax
10 Lewis M, 'Today's Poll: Do you believe in the concept of inheritance tax (IT)?', Twitter, off https://twitter.com/MartinSLewis/status/1666029325722738688
11 Zahawi N, 'Inheritance tax is a spectre that haunts Britain – it must be abolished', The Telegraph, 31 May 2023, https://www.telegraph.co.uk/tax/inheritance/inheritance-tax-haunts-britain-abolished/
12 Swinford S and Wright O, 'Inheritance tax could be scrapped in Tory bid for votes', The Times, 14 July 2023, https://www.thetimes.co.uk/article/inheritance-tax-end-scrapped-government-plan-2024-29hhrpfdm
13 Goss D and Glover B, The Inheritance Tax Puzzle: Challenging assumptions about public attitudes to inheritance, Demos, 14 June 2023, https://demos.co.uk/wp-content/uploads/2023/06/finalinheritance.pdf

by economic self-interest, we find that people with less wealth and income tend to support much lower inheritance tax thresholds.

These complexities show that a national debate on inheritance policy could play out in various complex ways - and there are opportunities to gain widespread public support for policies beyond just tax cuts. Policymakers need to know what narratives and reforms they can drive forward to unlock that public support.

HELPING POLICYMAKERS CHART THE PUBLIC OPINION LANDSCAPE

It is clear that different sections of the public think about inheritance in very different ways. This is not simply to say that some support and others oppose inheritance tax. It is to say that different groups within the public develop their views based on different core beliefs, values and emotions. Policymakers who think we should retain inheritance taxation therefore need to tow a strategic line. They need to recognise the different approaches to inheritance, identify what people agree on, and navigate that to build consensus.

This paper enables policymakers to do that. Using a cluster analysis of survey data, we look into the different attitudinal groups that exist in the population around inheritance policy (see Annex 1 for methodology). We find four attitudinal groups - each thinking about inheritance tax policy in distinct ways - with survey data on their demographics, experiences of inheritance, and overarching attitudes. After three focus groups with each group, we explore those attitudes, illustrating how people frame, articulate, and change them in a conversational setting.

In Section 1, we paint a picture of each groups' attitudes, demographics, and survey responses - with a comparison of how they differ on key issues.

In Section 2, we outline the points of agreement across groups that could drive support for inheritance taxation, and those that drive concerns. This helps provide a deeper understanding of how public attitudes might be shifted with certain narratives and reforms.

In Section 3, we lay out some of the narratives and reforms policymakers can use to unlock broad support for inheritnace taxation.

This approach to inheritance taxation should ensure that, as the new age of inheritance increasingly shapes our lives, the UK's policy response is fair, effective, and algined with what the public want.

SECTION 1
THE ATTITUDINAL CLUSTERS

In our cluster analysis of public attitudes to taxing inheritances, we found four distinct cluster groups in the population. The groups were determined by their responses to a set of questions about whether specific inheritances - of certain amounts, of certain asset types, and given by and to certain people - should be taxed or not. Each group reflects a different pattern of responses in the survey, but have been named based on subsequent research. They are:[14]

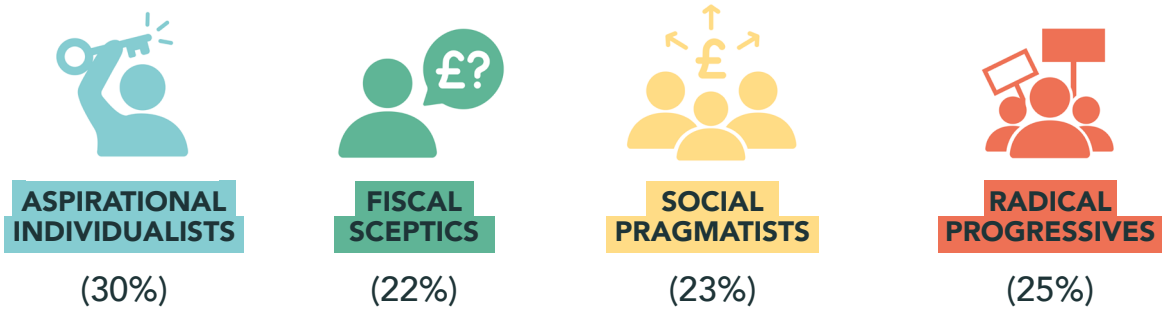
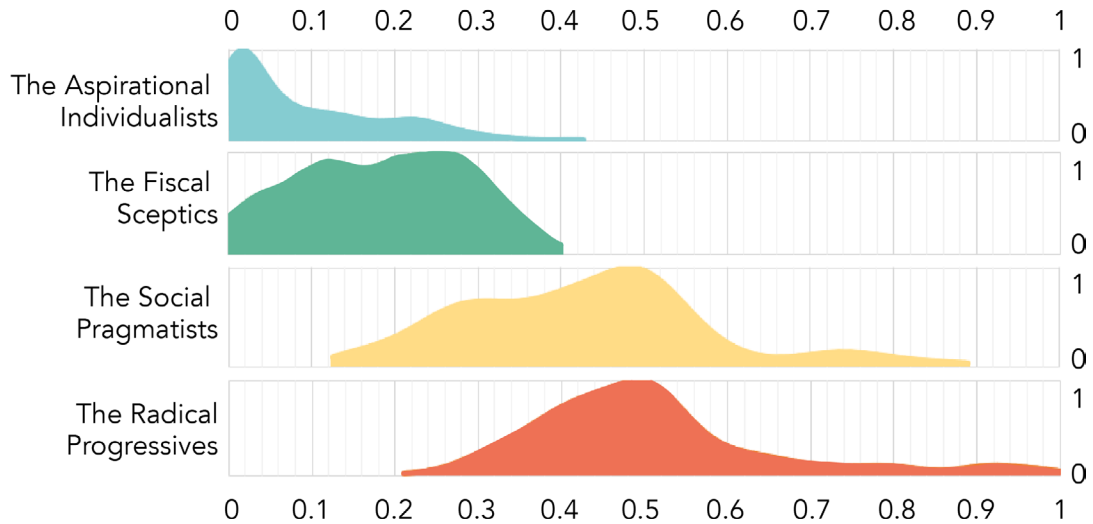


Figure 1 shows the extent to which each cluster thinks inheritances should be taxed. The chart takes the various survey questions asking whether specific inheritances should be tax-free. It combines the possible responses into a scale from 0 (this set of inheritances should never be taxed) to 1 (this set of inheritances should always be taxed), and places all respondents along that scale. The y-axis shows the concentration of each group at each point on the scale (1= the highest concentration for that group and 0 = the lowest concentration).

FIGURE 1
DISTRIBUTION OF EACH CLUSTER GROUP BY LEVEL OF SUPPORT FOR INHERITANCE TAXATION

(0 = all inheritances should be tax-free. 1 = all inheritances should be taxed)



14 Flaticon.com, https://www.flaticon.com/free-icons/protest, accessed 28 August 2023

For most inheritances, the Aspirational Individualists think they should almost never be taxed; the Fiscal Sceptics think inheritances generally shouldn't be taxed; the Social Pragmatists think sometimes inheritances should be taxed, but sometimes they shouldn't; and the Progressive Radicals also think that sometimes they should be taxed, sometimes they shouldn't. While the Social Pragmatists and Radical Progressives tend to think inheritances should be taxed to similar extents, they think different kinds of inheritances should be taxed. The pattern of responses associated with the Radical Progressives is associated with slightly higher support for taxation.

For each group, we provide (1) an overview of their attitudes from the focus groups, (2) their demographic profile (with only statistically significant differences illustrated), and (3) top lines on their attitudes within the survey. At the end of the section, we provide a cross-cluster analysis of the focus group findings, outlining the attitudes each group expressed around specific themes around wealth and inheritance.

THE ASPIRATIONAL INDIVIDUALISTS

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

OVERVIEW - FOCUS GROUP FINDINGS

When asked whether we should tax inheritances, the Aspirational Individualists (the largest group of the four) initially always say we shouldn't. They often initially think about inheritance tax in terms of emotive associations, like 'death tax' and 'double taxation', and say these things are inherently unfair and unjust. They regularly frame their views on inheritance taxation in terms of examples of specific individuals working hard based on their aspirations, and individuals being impacted in negative ways by inheritance taxation. Many see it as 'the politics of envy'.

While some hold firm on these principles in more in-depth discussions about inheritance taxation - and think all inheritance should be tax-free - others feel that there are trade-offs which could justify inheritance taxation. Some feel that it does provide an important contribution to government funding and that we do need to tax higher value estates. They generally think the inheritance tax threshold should be at least £1 million.

The rich at the top get treated a lot better than obviously people who are working class… I feel like the people that are on the lower end of the scale are being actually punished rather than supported.
- Aspirational Individualist. 21, Female, South West, Renter.

There is always going to be the differential between wealth, otherwise, what's the motivation to go out and get educated and work harder?
- Aspirational Individualist. 54, Female, Scotland, Homeowner.

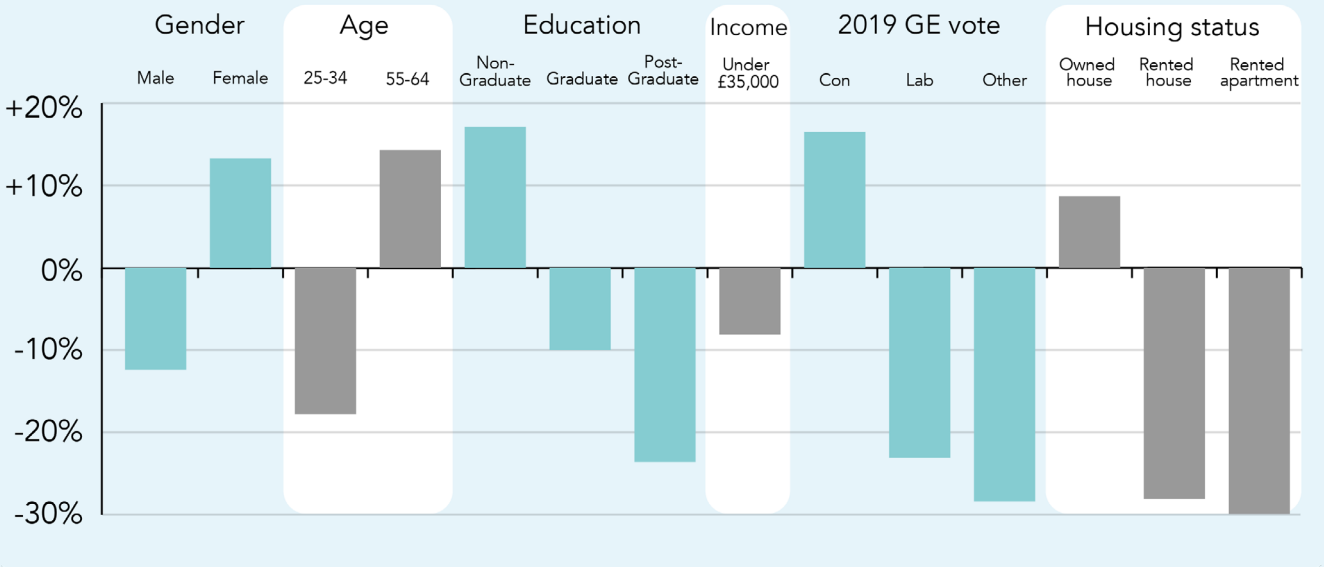
People have earned and paid their taxes just to get squandered within government itself and not actually reaching the people that need the money.
- Aspirational Individualist. Aspirational Individualist. 62, Female, Scotland, Homeowner.

I*'ve got a friend who I worked with… His way of getting out of working for the university and working for himself was to buy property… and they've created something there where they've got four or five homes…. His dad works in a factory, that's his environment. He's bettered himself… and then you're going to go and tax him because he's made that.*
- Aspirational Individualist. 41, Male, Wales, Homeowner. Demographics

DEMOGRAPHICS

The Aspirational Individualists are more likely than average to be women, aged 55-64, non-graduates, on above average income, to have voted Conservative in 2019, and own a house.

FIGURE 2
PROBABILITY OF BEING IN DEMOGRAPHIC GROUPS COMPARED TO THE WHOLE POPULATION

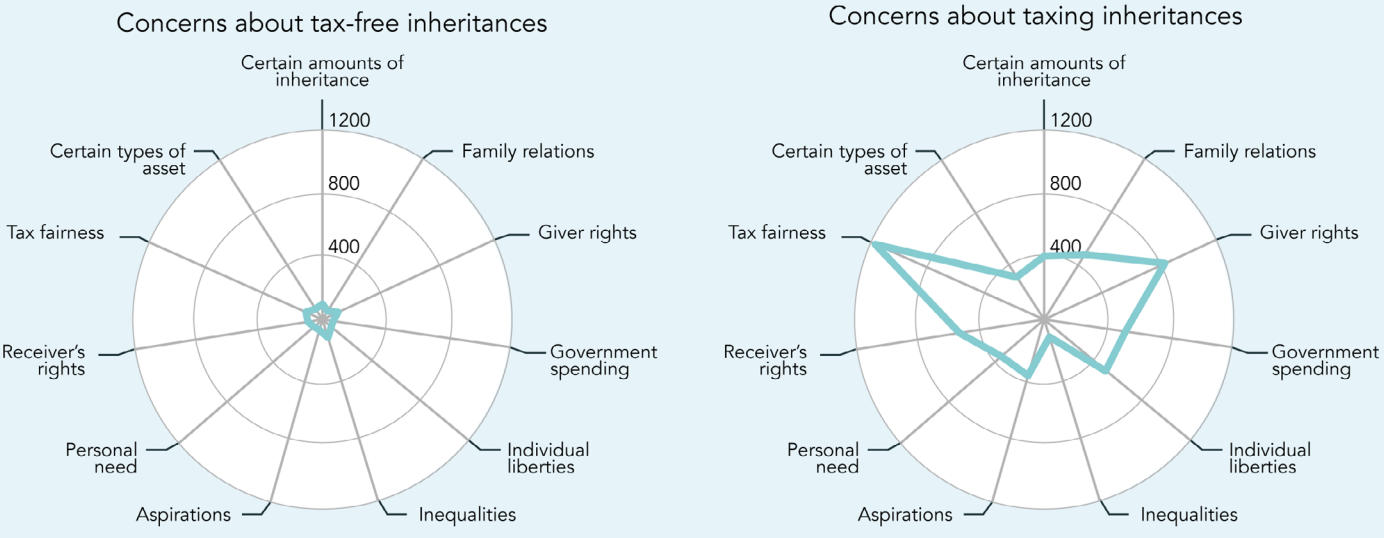


SURVEY RESPONSES

When asked in the survey, the Aspirational Individualists very rarely cite concerns about any of the implications of tax-free inheritance. In contrast, a very large number of them cite concerns about taxing inheritance, particularly based on the fairness of inheritance inheritance tax itself, with the vast majority expressing concern about double taxation. A significant majority also express concern about abuse of the rights of the inheritance-giver to use their wealth as they wish, and to a lesser degree, abuse of people's individual liberties (their privacy and property rights), and the rights of the receiver to receive whatever others want to give them.

FIGURE 3
CONCERNS ABOUT INHERITANCES BEING TAXED OR BEING TAX-FREE

Number of times cluster group referred to particular types of concern when explaining their views within survey



THE FISCAL SCEPTICS

middle-aged, middle income, renters
(22% of the population)

OVERVIEW - FOCUS GROUP FINDINGS

The Fiscal Sceptics are generally opposed to taxing inheritances when asked in a general sense. They strongly associate it with issues such as tax avoidance and the personal stress of doing tax admin after a death. They are generally sceptical of government, tax and public spending. They often criticise inheritance taxation on the basis of certain groups who may be unfairly impacted (e.g. if forced into debt or to sell property with emotional value).

In more in-depth discussions, however, these concerns often become less salient to some extent, and many Fiscal Sceptics frame inheritance tax as a 'necessary evil' to fund government, given the trade-offs for tax and spending if it was cut. They generally see the need for a particular threshold, but there is disagreement over where this should be; some base it around average house prices, some around top house prices and some around the wealth of the super-rich.

It's another way of the government leeching off someone who's worked their entire life, paid their tax, but even when they're dead, they still have to pay tax.
- Fiscal Sceptic. 47, Male, Scotland, Homeowner.

It's a stealth tax and they must be drawing nearly everybody that's worked hard to own a home over the decades.
- Fiscal Sceptic. 65, Female, South East, Homeowner.

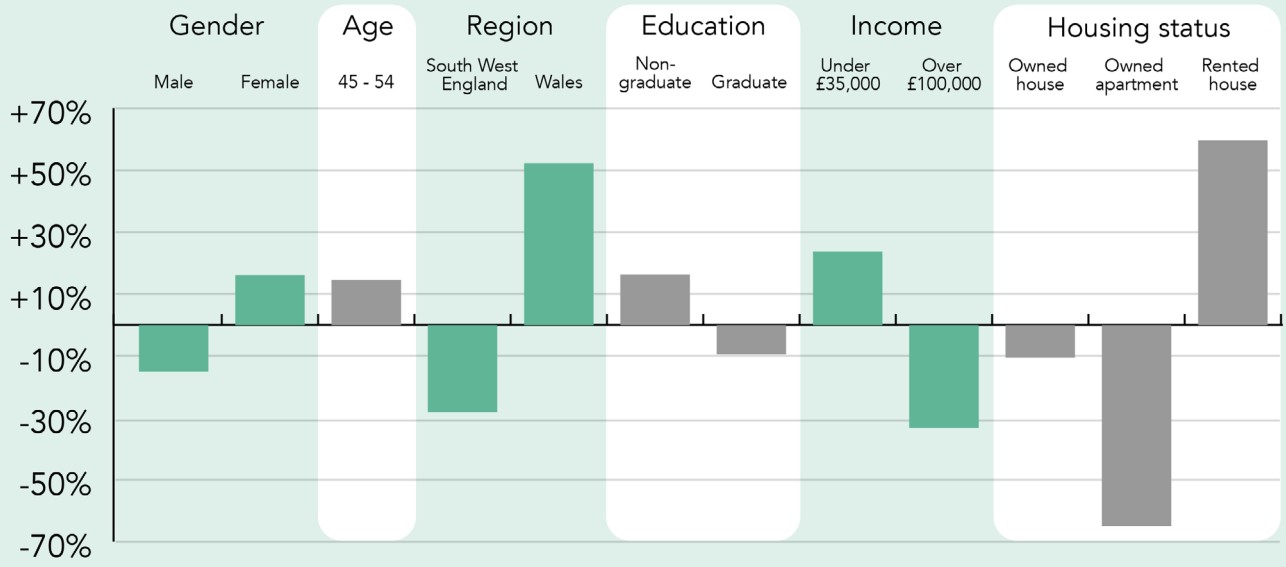
[My initial thought on inheritance is] something like stress or complexity, that you're dealing with it in a terrible time and then it's complicated like anytime you deal with a tax system.
- Fiscal Sceptic. 45, Male, North West, Homeowner.

If we didn't have inheritance tax, how would we replace that. I've just Googled how much the UK government makes in inheritance tax a year and it's 7.2 billion. What would you do?
- Fiscal Sceptic. 26, Male, Wales, Homeowner.

DEMOGRAPHICS

The Fiscal Sceptics are more likely to be women, older, live in Wales and outside the South West, non-graduates, and with lower incomes. Beyond the regional demographics, this is similar to the Aspirational Individualists. Yet, whereas the Aspirational Individualists are more likely to have higher incomes and own their home, the Fiscal Sceptics are more likely to have lower incomes and rent their home. They are also likely to be slightly younger (45-54 rather than 55-64).

FIGURE 4
PROBABILITY OF BEING IN DEMOGRAPHIC GROUPS COMPARED TO THE WHOLE POPULATION



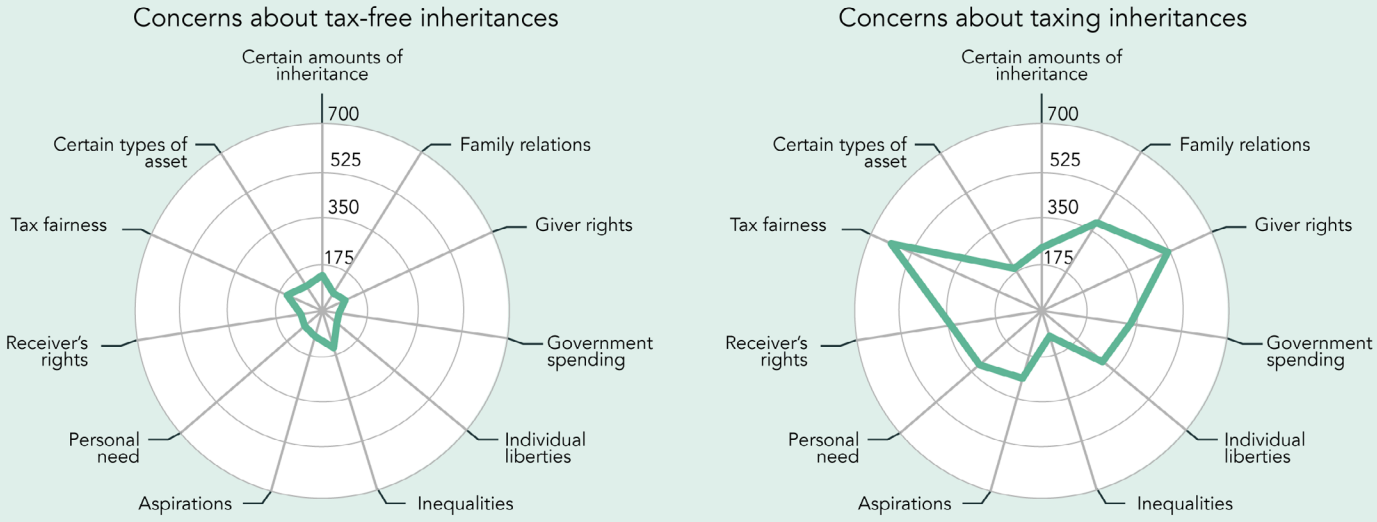
SURVEY RESPONSES

The Fiscal Sceptics do not express much concern about the implications of tax-free inheritance in the survey. They did, however, express a small degree of concern about inequality (e.g. 'inequality in inheritance is a problem'), the fairness of the tax (e.g. 'inheritance tax is fair') and particular amounts of money being inherited (e.g. 'some amounts of inheritance should not be tax-free').

Yet, like the Aspirational Individualists, this group is highly concerned about taxing inheritances because of the unfairness of inheritance tax, mainly due to concerns around double taxation. Many are also concerned about abusing the rights of the inheritance-giver to use their wealth however they wish. The Fiscal Sceptics are slightly more concerned than the Aspirational Individualists about both family relations (e.g. that 'giving inheritances is an important part of strong families and friendships' or 'people deserve to get the belongings of their family') or personal need (e.g. 'people need to get inheritance to be financially secure').

FIGURE 5
CONCERNS ABOUT INHERITANCES BEING TAXED OR BEING TAX-FREE

Number of times cluster group referred to particular types of concern when explaining their views within survey



THE SOCIAL PRAGMATISTS

older, home county, home owning, high-earners (23% of the population)

OVERVIEW - FOCUS GROUP FINDINGS

The Social Pragmatists are generally supportive of taxing inheritances when asked in a general sense, particularly as they see it as a pragmatic way to contribute to government funding and social investment. However, many would like more confidence that inheritance tax revenue is being used for valuable social investments, and feel that tax avoidance needs to be better dealt with - but these are points against the tax rather than reasons to wholly reject it.

Some Social Pragmatists see inheritance taxation as important primarily just for public funds, while others feel strongly that it helps to tackle generational inequality and tax unearned income fairly. They are split on where the threshold should be, but many feel it should be based around average house prices.

It stuck with me that if the money on the coronation had been spent and given to every food bank, they'd have had £40,000 each. That, I think, smacks with the inequality at the very upper echelons of society, down to the basic people not able to feed their families.
- Social Pragmatist. 42, Male, South West, Homeowner.

If we're going to live in society and we govern by a government, surely, it's incumbent upon them to at least try and even things out. I have no issue with a cardiac surgeon earning more than a cleaner. However, when the gulf gets to the point where the poor cleaner can't feed his or her family, then it's time that the government should step in.
- Social Pragmatist. 63, Female, Yorkshire and the Humber, Homeowner.

I think the problem here is the tax system and it's seen as unfair. It's that we seem to be taxed and nobody's telling us what they're spending on….It's a matter of having a fair tax system for what we want as a nation. Do we want to spend it on the NHS and education, all the things that benefit everyone? Therefore, how much do we have to pay for?
- Social Pragmatist. 63, Male, Wales, Homeowner.

[Inheritance tax is] like a necessary evil. Most people prefer this to a greater amount of income tax.
- Social Pragmatist. 20, Female, West Midlands, Renter.

I see [inheritance tax] as a similar concept as the income tax anyway because for someone who receives that amount of money, it's part of their income.
- Social Pragmatist. 60, Female, London, Renter.

DEMOGRAPHICS

The Social Pragmatists are more likely to be male, older, white and live in the South (excluding Greater London). In terms of their socioeconomic status, they are more likely to be graduates, higher earners and own their home. In terms of their politics, they are more likely to have voted Conservative and particularly Lib Dem in 2019.

FIGURE 6
PROBABILITY OF BEING IN DEMOGRAPHIC GROUPS COMPARED TO THE WHOLE POPULATION

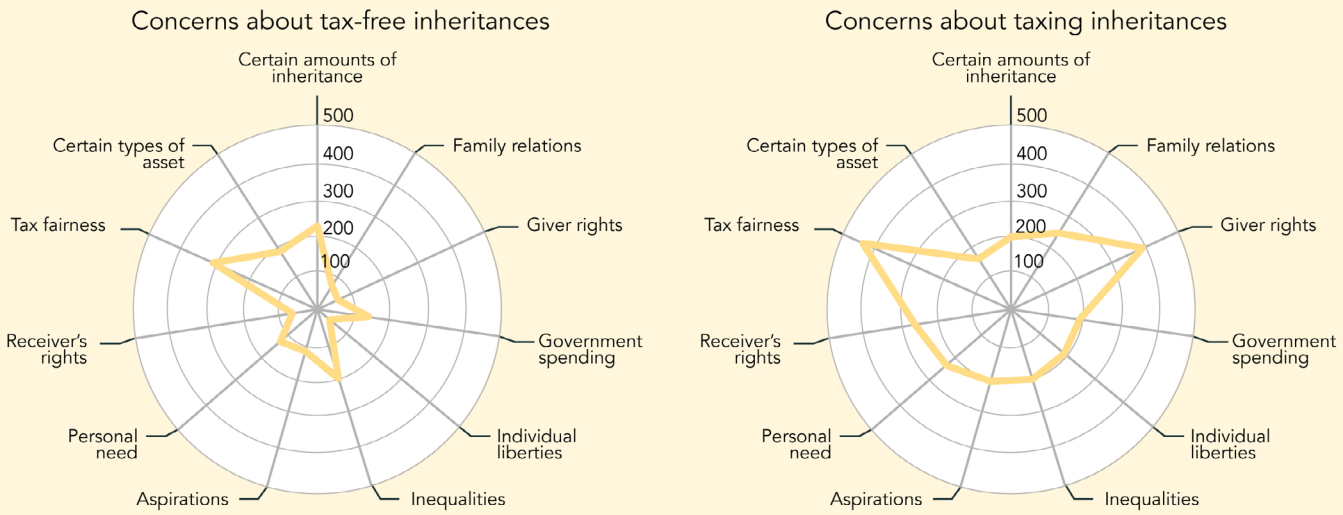
SURVEY RESPONSES

The Social Pragmatists expressed a range of concerns about inheritance being tax-free, particularly that it is fair to tax some inheritance, that some inequality in inheritance is unacceptable, and that certain high amounts of inheritance shouldn't be tax-free.

In their concerns about taxing inheritances, they regularly referred to the unfairness of taxing some inheritances - primarily due to concerns around double taxation - and to the rights for the giver to use their wealth as they wish.

FIGURE 7
CONCERNS ABOUT INHERITANCES BEING TAXED OR BEING TAX-FREE

Number of times cluster group referred to particular types of concern when explaining their views within survey



THE RADICAL PROGRESSIVES

young, metropolitan, graduate, renters
(25% of the population)

OVERVIEW - FOCUS GROUP FINDINGS

The Radical Progressives are the most supportive of taxing inheritances. They are generally more positive about the tax system and public spending - particularly as a progressive policy system to support the poorest in society and reduce inequality - and see inheritance taxation as a good way to fund that given it tends to target the wealthy.

They are much more likely to see inheritance, first and foremost, as a new income for the receiver, rather than a gift from the giver. Accordingly, they have a stronger sense than other groups about the role of inheritance taxation in tackling generational inequality and taxing unearned income more. They discuss thresholds much lower than other groups, often relativised to wages rather than house prices.

They are less concerned than other groups with issues with the design of the tax (like its complexity), and favour discussion of its broader social outcomes. They are more likely to discuss its impact on structural inequalities like privilege and the class system, and less likely to cite examples of particular individuals.

I think owning shares, property, or receiving inheritance implies privilege. Then also being in a high-paying job, for example, it can be seen as a privilege as well because it could be what you're born into, access to education, things like that.
- Radical Progressive. 34, Female, London, Renter.

Tax is essential in society where we're trying to strive for a more equal society, and there's no such thing as free money.
- Radical Progressive. 59, Female, London, Renter.

Our class system is structured so that those with the money get the money mainly through inheritance and through families. Once they've got money, it's much easier to make more money. The rest of us just keep working, paying the bosses, and paying our taxes whilst most of the rich find tax loopholes.
- Radical Progressive. 72, Male, South East, Renter.

£5K could be shared out between four children, five grandchildren… The people who receive that aren't going to receive a massive amount, but then it's still a privilege whatever you receive. I think there has to be a threshold. Personally, I think probably the £45K/50K mark.
- Radical Progressive. 52, Female, West Midlands, Homeowner.

DEMOGRAPHICS

The Radical Progressives are more likely to be men, and much more likely to be younger, live in the North West and Greater London, and of Asian ethnicity. In terms of socioeconomic status, they are much more likely to have post-graduate degrees, be earning low to average income, and rent their home (particularly renting apartments). They are also significantly more likely to have voted Labour in 2019.

While both are more likely to be male and graduates, the Radical Progressives lean in the opposite direction to the Social Pragmatists on all other demographic measurements. When compared to Aspirational Individualists, the Radical Progressives lean the other way on all demographic measures other than income.

FIGURE 8
PROBABILITY OF BEING IN DEMOGRAPHIC GROUPS COMPARED TO THE WHOLE POPULATION

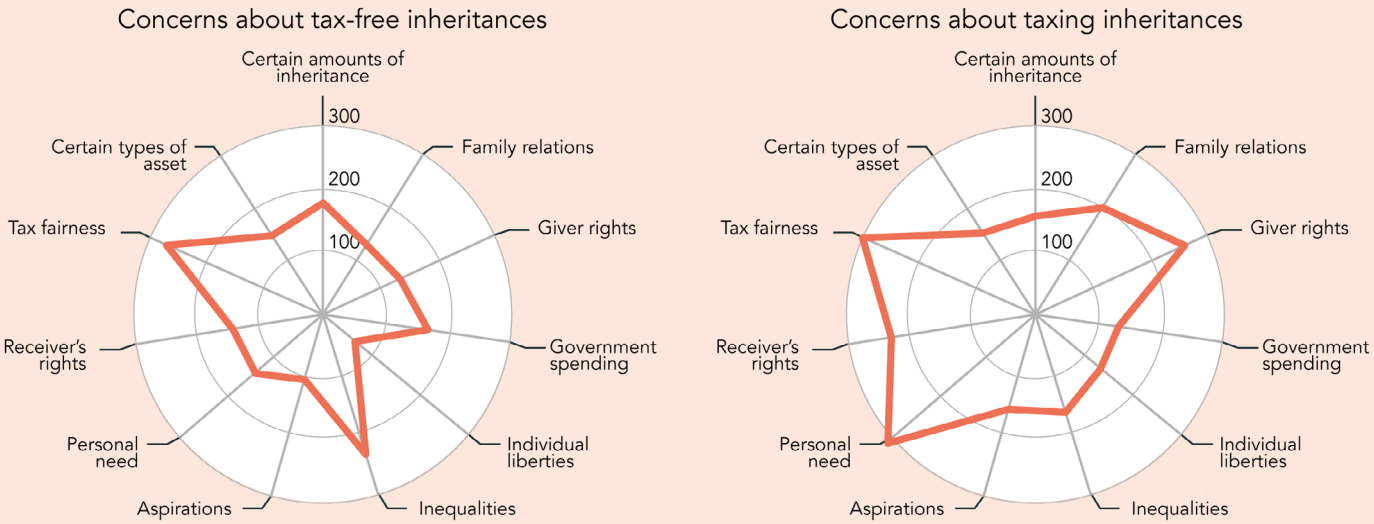
SURVEY RESPONSES

The Radical Progressives expressed some concerns both about tax-free inheritances, and about taxing inheritance. On the former, this group mainly pointed to the fairness of inheritance tax, and (more than other groups) concerns about inequalities in inheritance. To some degree, they were also concerned about some amounts of money being tax-free, and the contribution of inheritance to government spending.

In concern about taxing inheritances, the radical progressives sympathise much more with arguments about people needing the inheritance they receive - particularly that some people 'need to get inheritance to be financially secure', but like other groups, also felt that inheritance tax itself could be unfair - primarily due to double taxation - and that the inheritance-giver has rights to use their wealth as they wish.

FIGURE 9
CONCERNS ABOUT INHERITANCES BEING TAXED OR BEING TAX-FREE

Number of times cluster group referred to particular types of concern when explaining their views within survey



CROSS-CLUSTER ANALYSIS

TABLE 1
ANALYSIS OF THE ATTITUDES TO WEALTH AND INHERITANCE EXPRESSED IN FOCUS GROUPS

	Aspirational Individualists	Fiscal Sceptics	Social Pragmatists	Radical Progressives
Attitudes to wealth	Believe people's wealth is generally earned fairly and deserved.	Believe people's wealth is generally deserved. Highly opposed to the politics of envy.	Many see wealth from capital gains or inheritance as reflecting luck, but often feel this itself doesn't mean it should be taxed.	Often see wealth accumulation as a feature of luck, but also of privilege.
Attitudes to inequality	Concerned about extreme inequality, but defeatist about it. Think other inequality is generally justified.	Concerned about extreme inequality, but defeatist about it. Think other inequality is generally justified.	Highly concerned about specific social problems like inability to access housing and use of food banks.	Often see inequality as the result of a rigged system that goes deeper than the super-rich.
Attitudes to government, tax and spending	Think the government needs to help those at the bottom, but are sceptical about the government's intentions and the effectiveness of tax and spending.	Feel that the government should help those in need, but many think it does a bad job. Some feel that the government is selfish and causing more problems.	Feel the government should support those in need more, mainly by fixing root causes of problems.	See public spending as very important, although do many think the government spends money badly.
Frame of thinking about inheritance taxation	See it as first and foremost a cost to the giver rather than receiver. Think about it in terms of specific individuals and their personal wealth, often in anecdotes about the giver.	Generally see it first and foremost as a tax on the giver rather than receiver. Think about it in terms of technical problems with the tax such as the stress involved with tax admin.	Some frame it first and foremost as a tax on the giver, and some as a tax on the receiver. Most think about it mainly in terms of its contribution to public funds, but some see it as helping tax unearned income fairly.	Generally, inheritance taxation is a cost first and foremost to the receiver rather than the giver. Many think about it in terms of helping to tackle generational inequality and tax unearned income fairly.
Attitudes to inheritance and its inequalities	See it as generally a testament to hard work and that families deserve to benefit. Feel that inequalities in receiving inheritance are just part of life.	See wealth that is earned legally as earned fairly, and that people should have a right to use that as they wish. See inequalities in receiving inheritance as just part of life.	See it as generally reflecting good intentions on the part of the giver, and that inequalities in receiving inheritance reflect luck, and we shouldn't criticise people for that.	See it generally as reflecting good intentions on the part of the giver, but privilege on the part of the receiver, which government should have a role in addressing.

Initial attitudes to inheritance tax	Highly opposed, seeing it as death tax and double taxation, anti-aspiration, and affecting some people particularly unfairly.	Most are opposed, seeing it as double taxation or a stealth tax and hitting people at a sad time, but some see it as a 'necessary evil'.	Generally supportive of it for its contribution to government funds, but some concerns about tax design.	Positive about taxing inheritances as a way to tax the wealthy to fund the government. Often dismiss arguments about double taxation
Attitudes to inheritance tax in detailed discussions	Often remain opposed, but sometimes see the need for a tax to fund public spending, with thresholds of £1 million or more.	Negative associations often become less salient and people generally wanted some level of tax but preferred thresholds varied significantly, from £300,000 to £15 million.	When discussing thresholds, some take affordable house prices as the baseline, and others feel that the wealth of the recipient should be taken into account. Preferred thresholds generally range from £50,000 to £1 million.	Some talk about thresholds in terms of what would be a privilege to the receiver. Preferred thresholds generally range from £10,000 to £300,000.

SECTION 1 CONCLUSION

We've seen how the four cluster groups differ in their views to inheritance and inheritance taxation, but also how this is related by the different ways in which they approach inheritance, and their underlying views on wealth and inequality. For example, those more opposed to inheritance taxation (Aspirational Individualists and Fiscal Sceptics) think about it first and foremost as a cost to the giver, and are more likely to talk in individual terms and anecdotes. Accordingly, they are more likely to see wealth as reflecting hard work and are less concerned about societal inequality, or the government intervening in that.

In contrast, the Radical Progressives - and to some degree the Social Pragmatists - are more likely to think about inheritance taxation first and foremost as a cost to the receiver, and more likely to talk about it in terms of its impact across society, be that on public services or inequality. Accordingly, they are more supportive of the idea of public services in general.

There are also disagreements within each side of the scale. For example, the attitudes of the groups on either end of the scale (Aspirational Individualists and Radical Progressives) are more likely to be driven by principles about wealth and society. Yet, the two 'in the middle' groups (Fiscal Sceptics and Social Pragmatists) are more concerned with the design of the tax and what the revenue is spent on (e.g. loopholes, bureaucracy, and the effectiveness of public spending). Each group therefore has a distinct way of thinking about this policy area.

Yet, we also find many points on which the groups do agree, sometimes on very similar terms and sometimes with slightly different interpretations. Understanding these points of agreement is key to bringing together large sections of the population in support of a better approach to inheritnace taxation.

SECTION 2
POINTS OF AGREEMENT ACROSS CLUSTERS

We have seen there are many points of division between attitudinal clusters on inheritance policy. Yet, there are also important points of agreement across the groups, both in their support for inheritance taxation and their concerns about it. In this section, to advance the conversation around how to build public support for inheritance taxation, we identify these points of agreement.

All analysis is drawn exclusively from our focus groups, unless otherwise mentioned.

We start each section by outlining points of agreement among the whole population. These are often scarce and involve vague policies or narratives that different groups can interpret differently, but agree on the core sentiment. These are the kinds of policies and narratives that policymakers almost certainly have to align with, and can also use to ensure widespread engagement with what they are saying. We then explore more ambitious but divisive policies or narratives that could gain the support of a majority of the population. We look at those which establish agreement across two or three attitudinal groups.

We have summarised each policy or narrative in a single statement that captures the sentiment across groups. Below each statement, we have indicated which groups are the main proponents of it - although often there is not complete in-group agreement, and members of other attitudinal groups also may agree. We discuss this when relevant in the analysis.

Attitudinal key:

Agreement

Partial agreement

Disagree

SUPPORT FOR INHERITANCE TAXATION

Full agreement

Policymakers hoping to build support around inheritance taxation and reform must ensure they align with these sentiments, and can express these to get a broad coalition of the public engaging with them.

'The ultra-wealthy are too wealthy'

Participants across all four attitudinal groups feel that there is a class of people in society with too much wealth. While there is significant disagreement about how far this class extends, all groups agree that it includes, at a minimum, a billionaire class. This class is seen as completely separate and unrelatable for ordinary people; focus group participants characterised it in terms of emotive images like 'CEO in the Bahamas' or 'Richard Branson'. While people's criticisms are not directly linked to the inheritances of this group, they are directed at their wealth, and people see this as fair game for taxes like inheritance tax.

Take some money off people who it's not actually going to hurt. It's not going to hurt Richard Branson.
- Aspirational Individualist. 56, Male, North West, Homeowner.

[Someone who's worked hard for their money is] a different situation to somebody who's CEO of a multinational who's got a place in the Bahamas.
- Aspirational Individualist. 41, Male, Wales, Homeowner.

We're all struggling while all the billionaires and all the oil companies are getting away with it scot-free. It's extremely unfair at the moment.
- Fiscal Sceptic. 46, Male, London, Renter.

People across all groups often also feel this ultra-wealthy class has too much power, associating them with tax evasion etc. As such, they feel that the rich have an advantaged position in society. Some also see politicians as part of that same group.

I feel like the rich at the top get treated a lot better than obviously people who are working class.
- Aspirational Individualist. 21, Female, South West, Renter.

It's too easy for the ultra-wealthy to find a way to avoid or plan away.
- Social Pragmatist. 28, Male, Wales, Homeowner.

It just feels like the Tory government, they're becoming richer and everybody else has to suffer for it. Even during COVID, all the management companies made an absolute fortune out of it.
- Fiscal Sceptic. 46, Male, London, Renter.

‘It is important that the government provides support to people’

People from across the groups are likely to emphasise the government’s role in supporting the most vulnerable in society. This contributes to a general sense that taxation is an important part of life.

> *There are obviously vulnerable people in the society that slipped through the net, and I would say that the government should have a role in tackling that.*
> - Aspirational Individualist. 56, Female, Scotland, Homeowner.
>
> *We’ve got to accept that we are going to live in a society where we do look after one another, and the people who are down on their luck or ill or whatever, we’ve got to pay tax.*
> - Social Pragmatist. 63, Female, Yorkshire and the Humber, Homeowner.
>
> *The government isn’t doing enough I don’t think. It’s like you walk down the street and there’s so many people homeless, there’s so many people in need right now.*
> - Fiscal Sceptic. 46, Male, London, Renter.

Others also emphasise the importance of government funds for public services, with healthcare and education often raised as examples. As expanded on later, the more often groups link taxation to these uses, the more valuable they tend to see it to be.

> *We spend our whole life having things taken off us, but we do get an awful lot back for it.*
> *In the hospitals and all of the services that this country has that makes us what we are.*
> - Radical Progressive. 70, Female, East Midlands, Renter.
>
> *[Losing inheritance tax would be] a lot of money lost in tax to feed back into NHS, school, local government.*
> - Fiscal Sceptic. 41, Female, North West, Homeowner.

The Radical Progressives are also more likely to identify the government’s role in tackling inequality, particularly place-based inequality.

> *Some areas are more deprived than others. If we’re going to identify what body is best to tackle that, regardless of what people think of the government, that should be a key role.*
> - Radical Progressive. 33, Female, London, living with parents.

'Scrapping inheritance tax could cause unacceptable trade-offs'

People across all groups feel that - despite widespread concerns - inheritance tax is important for providing public funds or keeping other taxes down. Almost all of the Fiscal Sceptics and Social Pragmatists, and some of the Aspirational Individualists, express that inheritance taxation is a 'necessary evil' (a phrase that came up multiple times). Aspirational Individualists and Fiscal Sceptics tend to emphasise that a cut would mean other taxes (particularly on income) would rise, while Social Pragmatists are more likely to note that a tax cut means cuts to public services. A significant majority in these groups feel that, because of this, some level of inheritance taxation is justified.

Inheritance tax is necessarily evil because we've got to pay it because it's a bulwark of our society, isn't it?
- Social Pragmatist. 63, Female, Yorkshire and the Humber, Homeowner.

I agree with the point that it's a necessary evil in some ways because we've got to get the money for other things in society.
- Aspirational Individualist. 36, Female, Scotland, Homeowner.

If we disagree with the inheritance tax and we scrap it, we've got to find that 7 or 8 billion pounds from somewhere else… If you're not taxed while you're working, it's better off to be taxed when you're dead.
- Aspirational Individualist. 33, Male, West Midlands, Homeowner.

I don't see a problem with having inheritance tax. If you keep taking away everything being given to the government, where's the money going to come from to support people or to support services.
- Social Pragmatist. 63, Female, East of England, Homeowner.

The Radical Progressives, in contrast, are more positive about inheritance tax as a good way to fund public services.

I think it's fair that there is some type of tax paid on that passing of wealth because again, as we as a society get older and services become more stretched … It can't just come from what you're paying in your salary.
- Radical Progressive. Male, 45, London, Homeowner.

We spend our whole life having things taken off us, but we do get an awful lot back for it. In the hospitals and all of the services that this country has that makes us what we are.
- Radical Progressive. 70, Female, East Midlands, Renter.

Agreement among three groups

The below narratives and policies should form the basis of any ambitious approach to reform.

'Inheritance of things like secondary homes should be taxed more'

Across most of the Fiscal Sceptics and almost all of the Social Pragmatists and Radical Progressives, there is a feeling that secondary homes should be liable to more taxation, including inheritance tax. Many feel that secondary homes were a luxury or privilege, while others feel that they were indicative of being wealthy enough to pay tax. As such, inheritance of secondary homes brings out an emotive aversion among people, driving sympathy towards taxing them.

> *You can afford to have a second home, then you can probably afford to pay a little bit more tax.*
> - Social Pragmatist. 43, Male, London, Homeowner.
>
> *Secondary homes for some reason automatically make me put my back up for some reason.*
> - Fiscal Sceptic. 52, Male, Wales, Homeowner.
>
> *Yes, take if you have a secondary home, you're in a very privileged position compared to other people… Agreed that inheritance tax, a certain percent should be paid on a secondary home.*
> - Fiscal Sceptic. 40, Male, Northern Ireland, Homeowner.

Some also point out that ownership of secondary homes can have negative impacts on the housing market, by reducing the available housing stock.

> *Secondary homes… [are] preventing locals buying houses.*
> - Fiscal Sceptic. 74, Male, East Midlands, Homeowner.

This sentiment is also shared by some, but not all of the Aspirational Individualists. Some feel as though secondary homes are excessive and should be treated differently. Many, however, feel that some people may have earned their secondary homes fairly, and should not be treated differently as a result.

> *This is probably the first time where I've thought someone's got a secondary home, maybe that's an excess and maybe you can, there's a threshold on things that are in excess of what is expected.*
> - Aspirational Individualist. 41, Male, Wales, Homeowner.
>
> *I'm sitting on the wall with [taxing secondary homes]. I do agree because we've all seen communities where people can't afford to buy a house because wealthier people have a second home there.*
> - Aspirational Individualist. 54, Female, Scotland, Homeowner.
>
> *I don't agree if someone's got a second house or third house they should be taxed, because I don't know, they've worked for it.*
> - Aspirational Individualist. 34, Male, West Midlands, Homeowner.

'It is right to tax inheritances as long as the threshold is set at the right level'

This statement appeals to the Radical Progressives, Social Pragmatists, Fiscal Sceptics, and some Aspirational Individualists. The former two initially feel that inheritance taxation is right, but are still concerned about the threshold. The latter two groups, however, tend to initially feel that inheritance taxation is wrong, with strong negative associations about it. Yet, once discussing thresholds, for all of the Fiscal Sceptics and some Aspirational Individualists, those feelings recede slightly and they start to discuss wider trade-offs, complexities and possible benefits of inheritance taxation at certain levels. Many then conclude that inheritance taxation can be good if the threshold is right.

We can see this point most clearly in one group of Aspirational Individualists. One participant, who began by saying "it's a death tax... you're squeezed like a lemon your entire life and before they even put in the ground you're taxed again. I think it's wrong." went on to suggest taxing inheritance based on the value people receive rather than the value given (as most other OECD countries do):[15]

> *I do think there should be a threshold. I do like the idea, I think it was [another participant] that said, it should be the threshold regarding the number of people who are basically benefiting from it. The beneficiaries should have their own threshold instead of the threshold on the estate.*
> - Aspirational Individualist. 62, Female, Scotland, Homeowner.

In summarising her thoughts on that conversation, another participant said:

> *I think initially, I would've said I don't think that anybody should be taxed, but I've changed my mind on that throughout this today because of the discussions... I'd probably say that there needs to be a tier, there needs to be a cutoff point on if you have X amount… you should start paying some kind of inheritance tax on that.*
> - Aspirational Individualist. 56, Female, Scotland, Homeowner.

This concern about high-value inheritances corresponds with our survey responses, whereby one of the main reasons given in support of inheritance taxation was that 'some amounts of inheritance should not be tax-free'.

Almost all of the Fiscal Sceptics also feel that there is a place for inheritance taxation if we get the threshold right. Yet, for this group in particular, the amount people think the threshold should be at is greatly affected by whatever baseline is set within the discussion. For example, when asked about where the threshold should be, someone in a group of Fiscal Sceptics began by saying *"anything passed on including property or savings to immediate family, going as far as grandchildren as well, should just be exempt"*. The conversation then centred around inheritance taxation specifically targeting the super-rich, with others in that group saying:

> *You could win the lottery, you know what I mean? You get taxed to that as well. Just because a million doesn't make you ultra-rich. Just go after the billionaires, not the millionaires.*
> - Fiscal Sceptic. 46, Male, London, Renter.

15 OECD, Inheritance Taxation in OECD Countries, OECD Tax Policy Studies, 11 May 2021, https://www.oecd.org/tax/tax-policy/inheritance-taxation-in-oecd-countries-e2879a7d-en.htm

I think maybe it should start kicking in at maybe £10 million or £15 million, and below £10 million there should be 0% paid on inheritance.
- Fiscal Sceptic. 53, Female, West Midlands, Homeowner.

Another other group started with "something after £100,000 because £100,000 is too much, but not everything. I think anything above £100,000 should be taxed". After this anchor, people were discussing much lower thresholds:

I would say cut off at £300 [thousand] and then the million taxed.
- Fiscal Sceptic. 68, Female, South West, Homeowner.

I was just going to say £300,000.
- Fiscal Sceptics. 40, Male, Northern Ireland, Homeowner.

I think it's probably a bit lower. I would be thinking more like £50,000 or something, only because £50,000 and below is just not really worth collecting the tax.
- Fiscal Sceptic. 45, Male, North West, Homeowner.

'The value of inheritance is the most important consideration for the tax'

While it is true that most people feel that things like secondary homes should be taxed more, many of the discussions among the Fiscal Sceptics, Social Pragmatists, Radical Progressives, and some of the Aspirational Individualists ends up with agreement that what matters most is the value of inheritance. In our focus groups, often a member of the discussion would point to a counter-example whereby someone with a secondary home was actually not as wealthy as previously presumed, and participants agreed the value of the inheritance matters more.

I think obviously, the threshold is probably the critical part of it.
- Radical Progressive. Male, 23, Wales, living with parents.

Some people could realistically have two homes, but they could literally only be £60,000. It's not necessarily two homes that's £600,000, so should they then be taxed a lot more?
- Fiscal Sceptic. 36, Female, Scotland, Renter.

You could have a substantial primary home, very little savings, and no secondary or you could have a modest primary home, a modest savings, then a secondary home. It's all to do with net value, isn't it?
- Aspirational Individualist. 53, Male, West Midlands, Homeowner.

This implies that the support for taxing secondary homes is less about secondary homes themselves, and more acts as a signifier for the amount of wealth they represent. Only 3% of people in the UK own a secondary home, and they are likely to be some of the wealthiest people in the UK.[16]

16 Ministry of Housing, Communities & Local Government, English Housing Survey 2018-19: Second Homes, 9 July 2020, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/898190/2020_EHS_second_homes_factsheet.pdf

Agreement among two groups

Policymakers should use the below narratives cautiously, with careful consideration of their contribution to policy goals and the audience they're talking to.

'Double taxation is not always bad'

It is true that some people do not see inheritance tax as double taxation, particularly if they see the inheritance as like a new income (we expand on this later).

> *If I give money to my son, then it is a new income for my son. It's something my son hasn't had before, and he hasn't paid tax on it, so it isn't double taxation.*
> - Social Pragmatist. 55, Male, East Midlands, Homeowner.

Yet, while many people do feel that inheritance taxation is in some sense double taxation, the groups who are more supportive of inheritance taxation often feel that this isn't much of a problem. Some explain this by arguing that lots of things are double taxed.

> *Unfortunately, things are double-taxed in our society. I go to work, I pay tax. I pay petrol tax on money that I already pay tax on. Things are double-taxed and triple-taxed all the time.*
> - Social Pragmatist. 55, Male, East Midlands, Homeowner.

Others see double taxation as fine as long as the taxation is seen as serving a good purpose, for example if it is agreed that the tax is important for public services. As expanded on later, some people's anger about double taxation is therefore contingent on it seeming arbitrary.

> *If we're saying the person inheriting is going to pay tax on it again and we agree that's okay to do, that's fine, but don't say it isn't double taxation because that's an absolute nonsense*
> - Social Pragmatist. 63, Male, Wales, Homeowner.
>
> *We receive our salaries or our wages, we pay income tax, we spend that money, we're charged with VAT on that, if we buy petrol, we pay extra duty. It's more than double tax… It helps pay for the public services… and it's a benefit to everybody.*
> - Radical Progressive. 72, Male, South East, Renter.

‘We should tax inheritance of capital gains’

Most Radical Progressives, some of the Social Pragmatists, and a few Fiscal Sceptics feel that inherited capital gains are deserving of taxation. Radical Progressives feel that capital gains represent luck and that this is unfair (and should be taxed as such), while Social Pragmatists were less likely to talk in terms of unfairness, but note that inherited capital gains represent additional income (and should also be taxed as such).

> *[With capital gains] it’s like a privilege you’ve had of being able to buy a house at a time where house prices were ridiculously low and you’re just capitalising on good luck really.*
> - Radical Progressive. 34, Female, London, Renter.
>
> *I owned a house for 20 years, it did go up by that amount… but it probably is, again, a luxury that I was able to have that house. You probably do need to be taxed on it.*
> - Radical Progressive. 52, Female, West Midlands, Renter.
>
> *If your house has increased that much, it’s a bit of luck in life and… it should not be taxed.*
> - Social Pragmatist. 51, Female, Scotland, Homeowner.

Some Fiscal Sceptics also agree that capital gains in inheritance should be taxed, again expressing it more in terms of the fairness of consistent taxation across different types of income.

> *The marked price of a house that you bought maybe 10 years ago will have increased so much in value there. Like I say there, they haven’t paid any tax on that increase there, so definitely makes inheritance tax sound more credible.*
> - Fiscal Sceptic. 40, Male, Northern Ireland, Homeowner.
>
> *I think [capital gain in inheritance] is a bit like a profit, isn’t it? They’ve made a profit and that’s absolutely fine. People can make profits, good on them for doing that, but they still have to then pay a bit of tax on a profit they’ve made.*
> - Fiscal Sceptic. 45, Male, North West, Homeowner.

‘Inheritance taxation helps tax unearned income more fairly’

Alongside its contribution to government funds, some people see inheritance tax as valuable because it helps tax on the basis that inheritance is unearned income - thus making the system fairer. This is particularly the case for those who discuss inheritance primarily in terms of the perspective of the inheritor. This is the case with most of the Social Pragmatists and Radical Progressives, who are more likely to express this in terms of people not doing anything to deserve the inheritance. Some Fiscal Sceptics agree with the general approach, but express it more in terms of tax consistency - taxing inheritance as a new income.

It feels like a windfall almost for the person that's receiving it.
- Social Pragmatist. 38, Male, Scotland, Renter.

I think it should be taxed on the amount that people receive because the person who's left the £1 million is dead.
- Social Pragmatist. 55, Male, East Midlands, Homeowner.

Somebody's got to pay taxes…. Why should it be fair for somebody to pay tax on income they've worked for, and then if they inherit money which they haven't worked for… it's unfair if they don't pay any tax on it.
- Social Pragmatist. 55, Male, East Midlands, Homeowner.

I think it's an income that you've received and if you work, you pay tax. If you get this kind of payment, you pay some tax on it.
- Fiscal Sceptic. 45, Male, North West, Homeowner.

This framing leads to discussions of much lower thresholds than those that did not centre the receiver in the conversation. For example, among a group of Radical Progressives who framed the discussion around taxing unearned income, they were more likely to base their discussion of inheritance tax thresholds on income tax thresholds or a sense of what would constitute a 'privilege' to the inheritor.

For me, I thought 45K onwards needs to be taxed, and a bit like having income thresholds, you need to have different tax amounts or different amounts. To be honest, I think receiving any kind of inheritance is a privilege really.
- Radical Progressive. 34, Female, London, Renter.

'Inheritance taxation should help tackle the passage of inequality through generations'

Another reason that some people support inheritance tax is its impact on tackling inequality across generations. Some Radical Progressives and Social Pragmatists see this as a useful function of the tax, particularly when framed around the huge amounts of money being passed on. Some Radical Progressives see this as a key purpose of the tax, especially when framed in terms of helping make a more level playing field. Social Pragmatists generally framed this function as secondary to its contribution to public funds.

I always felt that inheritance tax was put in place to stop that mass amount of money from being funnelled down generations.
- Radical Progressive. 25, Female, Scotland, Homeowner.

Just because you may be related to somebody who's got money, you then end up with a really fantastic life and standard of living, whereas other people who go out and work really hard get nowhere in life. That's where the unfairness comes in, and that's why I'm glad that the government does step in.
- Radical Progressive. 52, Female, North West, Homeowner.

We do need to have inheritance tax because… people would just move things around the families forever and a day… If we can squeeze [the people at the top] when they're passing on their millions - great providing it's used correctly.
- Social Pragmatist. 63, Female, Yorkshire and the Humber, Homeowner.

CONCERNS ABOUT INHERITANCE TAXATION

Full agreement

As the following concerns that are shared across the population, to ensure they're reforms are not swiftly rejected by the public, policymakers must understand and engage with them, and develop policies that address them.

'Inheritance has a small impact on inequalities in the UK'

Members of all cluster groups are angry about the level of inequality in the UK, but generally detach this from inheritance. People often point to a much bigger problem of inequality in the UK, and some feel that inheritance is not in any way a 'root cause' of, or contributor to, that. This contributes to the sense of ambivalence among many about inheritance taxation's role in tackling the passage of inequality across generations.

I think equalities are getting bigger in the UK yes, but that's been happening for years and years and the gap's just getting wider and wider. I can't see how they're going to stop that unless they address the root cause. I don't think you can blame the inequalities on the inheritance.
- Fiscal Sceptic. 65, Female, South East, Homeowner.

I think inheritance and inequalities I think they're completely separate things.
- Aspirational Individualist. 33, Male, West Midlands, Homeowner.

When prompted to consider the relationship between inheritance and unequal access to homeownership, people are quick to emphasise that some people's inheritance does not greatly impact other people's access. Many people focus less on the issue of unequal access across the population, and more on the barriers to access. Some focus on the supply-side problems with housing, while others express that buying a house is an individual endeavour, detached from what other buyers in the market are doing.

[For many people] the only way they could have bought that house is through their inheritance…. but that's not the reason why other people that didn't get inheritance are locked out of the market. They're locked out of the market because there's not enough housing stock.
- Radical Progressive. Male, 45, London, Homeowner.

I don't look at someone inheriting the house affecting my ability to buy one. I just look at the amount I earn and the amount I'm able to save.
- Social Pragmatist. 32, Male, London, Renter.

‘Inherited inequality is just a part of life’

People across all groups feel that inequality is just a part of life, even if inequality at the extreme ends is widely condemned. Many feel defeatist about it; that it is an inherent part of our economic system. For inequalities in inheritance, to the extent that people do feel they too are a problem, many argue it is impossible to tackle them. This often removes a sense of determination to tackle these problems from the conversation, and dampens a sense of ambition around inheritance policy.

> *If someone has a £5 million inheritance and you take 50% off them, they’re still left with 2.5 million. That’s still a massive step up compared to the kid that got left £10,000, isn’t it?*
> - Radical Progressive. 25, Female, Scotland, Homeowner.
>
> *The rich getting richer, the poor getting poorer, the gap getting wider, and passing money down is just the way it’s going to be and it’s going to continue to be.*
> - Fiscal Sceptic. 47, Male, Scotland, Homeowner.

‘Money from the tax system should be spent better’

People across all attitudinal groups felt sceptical about the effectiveness of government spending, citing various reasons - which contributed to a negativity about inheritance taxation and made its contribution to government funds seem more dispensable. Some simply felt that, given the various financial struggles we’re seeing at the moment, government spending is clearly not effective.

> *Why are we going through a crisis at the minute then if the tax system is supposed to help everybody? I’m not saying disabled people and people like that. I’m on about everybody really in society, everybody is struggling.*
> - Fiscal Sceptic. 46, Female, Wales, Renter.

Others referred to specific uses of government money which they felt were wasteful, such as the coronation or Covid-related contracts.

> *I think if you think about all the money that they’ve spent on their PPE things for COVID that £7 to £8 billion is a drop in the ocean to them from what I’m reading with the dodgy contracts and things.*
> - Aspirational Individualist. 36, Female, Scotland, Homeowner.
>
> *You only have to look at the housing situation to know that whatever money they’re getting now, they’re not using it to spend on that. It’s being spent on the coronation.*
> - Social Pragmatist. 55, Female, North West, Homeowner.

I guess it's human nature, isn't it? To not want to have to cost them too much to the tax money specifically when governments tend to quote Boris spat a lot of the money up the wall on pointless projects.
- Social Pragmatist. 63, Female, Yorkshire and the Humber, Homeowner.

Others feel more cynical about the government, that they create the problems themselves to waste money on, contribute to inequality, or spend money to better themselves and their friends, rather than those who need it most.

I feel like current government are looking after themselves and looking after their friends and don't really look at people from maybe the working class backgrounds or people who have lived off benefits their whole life.
- Social Pragmatist. 38, Male, Scotland, Renter.

I'm pretty certain the government is part of the inequality, so I'm not sure how they're going to tackle it.
- Social Pragmatist. 35, Male, London, Homeowner.

I don't trust the government to spend money on problems. In fact, they're the ones creating the problems and they're actually [chuckles] spending billions on it. It's outrageous.
- Fiscal Sceptic. 46, Male, London, Renter.

'Government spending isn't transparent enough'

Just as some people criticised the government for using their funding poorly, others feel there is also no accountability for government funds, because people are not sure how any specific tax revenues they provide are spent.

There is a sense that, particularly for inheritance tax relative to other taxes, people expect to get something back from it. As is expanded on later, it seems this is partly because inheritance tax dips into a personal transfer of wealth, but also because people associate it with government spending less than they do for other taxes.

If I could see where that money was going, I think that would make me feel a little bit better about the whole [inheritance tax] situation.
- Social Pragmatist. 38, Male, Scotland, Renter.

If people knew where their taxes were going, I feel like that would make such a bigger difference…. Otherwise, it's like you're being robbed.
- Aspirational Individualist. 21, Female, South West, Renter.

I don't know what the tax is being used for, so I can't really vouch for how good it may benefit the country or us… If you tell me, yes, that tax goes to funding council houses, food banks, then maybe, yes, the 1 million I'd be saying ""Maybe a little tax on it, why not?

- Aspirational Individualist. 30, Female, Wales, Homeowner.

‘We need to be given a better reason why inheritance taxation exists’

People across all groups note how, unlike for most other taxes, they feel that they do not see a compelling reason why inheritances are taxed. Some explain that they felt taxing inheritances - rather than some other pot of money - was arbitrary. Others feel that inheritance taxation is less linked to government spending than other taxes. This means people often feel quite alienated from the tax, and even many supporters of the tax - particularly Social Pragmatists and Fiscal Sceptics - utilise the ‘necessary evil’ arguments in favour of it, rather than a more positive case.

> *My view on this is that the person who has accumulated all those resources to give to their children or anyone… I don’t see the point of putting a tax to that thing again.*
> - Fiscal Sceptic. 29, Male, Yorkshire and the Humber, Renter.
>
> *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.

Many people explain that they would be much happier with inheritance taxation - and be less concerned about double taxation - if it was more closely linked to useful public spending.

> *I’d have no problem with it being double taxed if it then went to stop the inequality that actually exists, but there’s no guarantee that that’s what it’s going to be used for. If that was the case, I’d have no problem.*
> - Aspirational Individualist. 71, Male, South West, Homeowner.
>
> *If we are taxing people and their inheritance, ensuring that it’s actually being used to go back to the community rather than being paid for a royal holiday… [they would] be happy and proud that their money is actually being used for something appropriate rather than being wasted... I think they need to get people’s trust back.*
> - Aspirational Individualist. 21, Female, South West, Renter.

‘Inheritance taxation risks being the politics of envy’

People across all groups feel that we should not be judgemental about individual people’s inheritances. When inheritance taxation is discussed in personalised terms (i.e. ‘taxing people with large inheritances; rather than ‘taxing transfers of large amounts of wealth’), some people feel that the taxation reflects envy of the wealthy, which makes them uncomfortable and less supportive.

[Responding to a prompt about whether some people inherit more than they need] I think that stems from a person who's jealous. I would love to be super rich…
- Radical Progressive. 42, Female, Homeowner, North West.

[In response to a prompt about whether someone inheriting a house contributes to unequal access to housing] The politics of envy then, is it?
- Fiscal Sceptic. 74, Male, East Midlands, Homeowner.

Similarly, some express that inheritance taxation can feel almost like a personal attack on the people giving or receiving - and that it is much more palatable if it is designed in a very impersonal way.

If somebody receives a huge amount of money which is far more than they need, it's not for us to tell them that it's more than they need.
- Radical Progressive. Male, 45, London, Homeowner.

I think it does become quite a personal attack on people. I think that is this problem with inheritance tax. I think if it's just a carte blanche… This is how much the government is going to take from you, no matter what those assets are and how much they come to, then it takes it from being a very personal thing to say 'okay, everyone has to pay it'.
- Radical Progressive. 42, Female, Homeowner, North West.

'Avoidance of inheritance taxation is a problem'

People across the population have strong associations of inheritance taxation with avoidance, which plays a part in undermining the legitimacy of it. In part, this is because people do not see it as a particularly progressive tax - instead affecting primarily people on middle incomes.

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.

think [the wealthy] avoid it, to be honest. I think they have the accountants and tax advisors to make sure they don't pay it. It is the likes of us who would pay it.
- Aspirational Individualist. 46, Male, East Midlands, Homeowner.

It is true that estates worth over £10 million pay a lower effective tax rate than those worth between £1.5 million and £2 million - meaning the tax becomes regressive when we get to the most valuable estates. Yet, inheritance tax is still a highly progressive tax overall. No estates worth under £300,000 pay inheritance tax, and just 15% of estates worth between £300,000 to £1 million do (paying an average rate of 10%). Meanwhile 86% of estates worth over £1 million pay the tax (with an average rate of 22%).

Agreement among three groups

The below concerns would attract some disagreement, but still be widely shared across the population. They must be addressed or mitigated within any ambitious reforms.

'Inheritance tax places too many burdens at a sad time'

People across several groups - but most prominently the Fiscal Sceptics - have very strong associations between inheritance taxation and the sadness and stress of death. They are frustrated by the idea that this tax adds to that stress, in particular because of its perceived complexity. While rarely a reason to wholly reject the tax, for many it was a point counting against the tax.

For me, [my initial association with inheritance taxation is] something like the stress or complexity that you're dealing with it in a terrible time.
- Fiscal Sceptic. 45, Male, North West, Homeowner.

[inheritance taxation is] just such an unnecessary stress, that's such an emotional time for people there and it just needs to be more streamlined.
- Fiscal Sceptic. 40, Male, Northern Ireland, Homeowner.

It's too complex, so simplify it, put in thresholds, and put in minimum starters that people could actually look up on the internet, on the gov.uk website, and figure out themselves without having to pay people.
- Fiscal Sceptic. 36, Female, Scotland, Renter.

People are grieving and you're just preying on us one last time. It's just evil.
- Fiscal Sceptic. 46, Male, London, Renter.

'Inheritance taxation is a problem because it's double taxation'

Many people have strong aversions to inheritance tax based on criticisms around double taxation, particularly when framed within emotive stories about people working hard all their life and paying taxes. People see income tax as the default tax that you pay when you earn your money, and inheritance as an unfair addition to that.

The initial response when you say inheritance tax, the government robbing you of money that you've already paid tax on… it's the government wanting two bites of the cake.
- Aspirational Individualist. 56, Male, North West, Homeowner.

It's double taxation for me. I think that's inherently unfair.
- Aspirational Individualist. 54, Female, Scotland, Homeowner.

> *Somebody said about what do we give to [the government]. We pay income tax for that, don't we? Our income tax goes towards that. I just think [inheritance tax is] wrong.*
> - Social Pragmatist. 56, Female, Homeowner, North West.

It is important, however, that despite being charged on money that people have already paid income tax on, VAT or council tax are not subject to the same criticisms about double taxation. We found this in our focus groups, as have others.[17] We also found that people feel that they get something out of taxes like VAT (a product) or council tax (a service), but did not feel they were getting anything out of inheritance tax. As we saw earlier in this section, people do not feel there is a particularly good reason for taxing inheritances.

> *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 is interesting that the language here suggests it is 'obvious' that if you buy a product, you pay 20% on that, but there is no such assumption for inheritance tax - suggesting also that VAT feels much more normalised. It is also notable VAT rates have been shifted several times in recent decades in highly salient news, specifically for the purpose of increasing government revenue.[18] This could lead more people to associate it with its contribution to government spending. The news around inheritance tax, in contrast, is more often centred on the moral arguments around, for example, aspiration.[19,20] Others packaged VAT in with other taxes like income tax, but criticised inheritance taxation specifically as double taxation.

> *I feel like [the government] been taking tax off everybody for their whole life, whether they're purchasing goods, through their earnings, so if they've managed to save up money, and they passed away, and they passed it on, why should the government come in and get a lot of cash grab off of that?*
> - Social Pragmatist. 38, Male, Scotland, Renter.

That same person went on to say shortly after "if we knew where the money [from inheritance tax] was going, then people may look at it a bit differently", suggesting that this might help mitigate some of those concerns. As also highlighted in the subsection 'We need to be given a better reason why inheritance taxation exists', some people also explicitly noted how, if they felt like inheritance taxation served a better purpose, they would be less concerned about it being double taxation.

17 Prabhakar R, What do the public think of taxation? Evidence from a focus group study in England, Journal of European Social Policy, 15 February 2012, https://journals.sagepub.com/doi/abs/10.1177/0958928711425266

18 Elliot L and Mulholland H, 'Budget 2010: VAT to rise to 20% as Osborne seeks to balance books by 2015', The Guardian, 22 June 2010, https://www.theguardian.com/uk/2010/jun/22/budget-2010-vat-rise-osborne

19 Cameron D and Osbourne G, 'Here's how to build a homeowning Britain', The Times, 4 July 2015, https://www.thetimes.co.uk/article/heres-how-to-build-a-homeowning-britain-ml86h8flqw2

20 Zahawi N, 'Inheritance tax is a spectre that haunts Britain – it must be abolished', The Telegraph, 31 May 2023, https://www.telegraph.co.uk/tax/inheritance/inheritance-tax-haunts-britain-abolished/

'Inheritance taxation can be anti-aspiration'

People across all groups other than the Radical Progressives feel that many people who have built up an inheritance have worked hard for that, and often aspired to do so in order to provide for their children. Inheritance taxation is therefore seen as undermining that aspiration. Some - particularly the Aspirational Individualists - frame this particularly in terms of aspiration being a noble thing, and reflecting hard work; inheritance taxation is then seen as particularly unfair.

> *[Wealthy people are] rich for a reason. They've worked for it or they've taken risks to get things and get places, and if we don't have people taking risks and nobody's getting employed or whatever. There has to be a benefit to working hard for your money.*
> - Aspirational Individualist. 54, Female, Scotland, Homeowner.
>
> *If they want to get very rich, they probably had to work bloody hard and missed out a lot on family life…why shouldn't they be able to pass that on?*
> - Aspirational Individualist. 71, Male, South West, Homeowner.
>
> *I think a big motivation for a lot of people's lives to keep working doing a 9:00 to 5:00 for 50 years is so that they can provide a better life for their children, a life that's better than what they had. If you take that away and then people will be so demotivated.*
> - Fiscal Sceptic. 21, Female, London, Renter.

Some - particularly the Fiscal Sceptics - frame aspiration less as a noble thing, but more as a fair way to make money. They take the rules of our current system as given and fair, and as long as people have made money according to those rules (i.e. not avoiding tax), see their wealth as legitimate. Some also suggested that, if such wealth was earned fairly, at that point it becomes a private concern, and should not be interfered with by government.

> *I've got no problem with them getting wealthy and then passing their wealth on as long as they're paying a fair amount of tax…. As long as they're not sticking it in offshore accounts…*
> *I think that is part of the system that I generally agreed with.*
> - Fiscal Sceptic. 45, Male, North West, Homeowner.
>
> *Is that not the basis of capitalism that you can amass wealth in your lifetime? By work or inheritance however it happens?*
> - Fiscal Sceptic. 36, Female, Scotland, Renter.
>
> *You've earned it, you paid tax on it, you should have the freedom to do what you like. It's not really the government's position to do that, to interfere in a private matter.*
> - Aspirational Individualist. 56, Male, North West, Homeowner.

Some - particularly the Social Pragmatists - feel that the impact of inheritance tax on aspiration is a problem mainly because of its impact on the social good - i.e. dampening aspiration may undermine entrepreneurship and hinder growth.

I think it can make people that are achieving high levels of wealth reconsider whether they want to retain that here… Potentially, you might lose entrepreneurs, you might lose people that can contribute a lot of wealth and resources to this country.
- Social Pragmatist. 32, Male, London, Renter.

You want [inheritance taxation] in a way that you do not discourage entrepreneurship or whatever these guys do, because it's also good for the economy as well. They also help with job creation and them things.
- Aspirational Individualist. 37, Male, South West, Homeowner.

Inheritance taxation is much more subject to these criticisms than other taxes, as it is only charged on estates at the end of people's lives - representing a tax to be paid a long time in the future. People also have great uncertainty around how much inheritance they will pass on or receive. Many therefore have much less sense of how much inheritance tax they will pay than, for example, income tax (which many people can think about based on their current income). This means people are more liable to form judgements about the tax based on desires of how much wealth they could have many years in the future - i.e. based on their aspirations.

Agreement among two groups

The below concerns are more divisive but would attract quite strong agreement among some segments of the population. Policymakers should be careful about reinforcing these concerns if targeting the specific attitudinal groups.

'People have a right to their family's wealth'

It is clear that the Aspirational Individualists and Fiscal Sceptics primarily criticise inheritance tax based on its effect on the giver of inheritance. They often feel that the inheritance-giver deserves their wealth and deserves to use it as they wish, primarily because they have earned it. Yet, when discussing the inheritance-receiver, the Aspirational Individualists and Fiscal Sceptics feel like they also deserved the wealth due to their family linkages. For example, people explained away the idea that inheritance was unearned wealth by citing that someone in the family has earned it. This highlights people's sense that, to deserve their wealth, people do not need to earn that as an individual - instead they can deserve their wealth if their family has earned it. It implies that the family is seen, by some, as a single unit in the economy.

[In response to discussion about whether inheritance is unearned income]. Someone's earned it. Someone's earned it in their family.
- Aspirational Individualist. 41, Male, Wales, Homeowner.

It's childish to say just because someone got an inheritance…then they haven't earned it because their family earned it. Perhaps dad earned it because… he was out working all the hours that God sent.
- Social Pragmatist. 42, Male, South West, Homeowner.

To me, at the end of the day, hard-earned money or money that has been passed on from your family, it's your money. You should decide where it goes.
- Aspirational Individualist. 30, Female, Wales, Homeowner.

‘Capital gains should not be taxed in inheritance’

While the Radical Progressives and Social Pragmatists often feel that inherited capital gains were more deserving of tax, the Aspirational Individualists and Fiscal Sceptics rarely feel this way. Some felt that capital gains were deserved because they reflected clever purchases or investments, which should be rewarded whether or not it is being passed on in inheritance.

> *If your house has gone up and you’ve invested in something, good for you. You know, you’re going to tax someone for someone who’s actually done something positive. You’re going to stop people wanting to invest.*
> - Aspirational Individualist. 41, Male, Wales, Homeowner.

Others feel as though, despite capital gains reflecting luck, they should not be penalised for good luck. In particular, some felt as though the fact a house is not often bought as an investment meant any gains someone happened to acquire should not be treated like investment income.

> *I know if I bought a house and it doubled in price, that just happened to be market conditions, why should I then be penalised to pay an inheritance tax?*
> - Radical Progressive. 42, Female, Homeowner, North West.
>
> *Some people win money they haven’t earned, but it’s the luck of the draw. Some people win the lottery… I just think each to their own.*
> - Fiscal Sceptic. 68, Female, South West, Homeowner.
>
> *I think it’s irrelevant, because when you buy a house, you’re not buying it as an investment, you want to live somewhere nice. The fact that it appreciates it’s almost irrelevant because you don’t do it with that motivation in mind.*
> - Aspirational Individualist. 53, Male, West Midlands, Homeowner.

‘Inheritance tax is just government grabbing money wherever they can’

We saw earlier how people across all groups feel they are not given a good reason why their inheritances are taxed. Yet, some - particularly the Aspirational Individualists, Fiscal Sceptics, and some of the Social Pragmatists - have a more cynical take on the government, and frame them more as trying to grab money wherever they can. To them, inheritances simply feel like a convenient way to do that, rather than there being an independent reason why inheritances should be taxed. This contributes to the sense that the taxation of inheritance is arbitrary, and in turn double taxation.

[Inheritance tax is about] how many ways can we get away with taxing you.
- Aspirational Individualist. 42, Male, East of England, Homeowner.

[On taxing capital gains in inheritance] I can't help it just feels like greed from the government to me. That's how it feels, that they're thinking of everything to get more money out of you.
- Social Pragmatist. 55, Female, North West, Homeowner.

Again, given that income tax and VAT are seen as 'fairer' than inheritance tax, it seems likely these former taxes are less viewed as a cynical and arbitrary tax from the government.[21]

'We shouldn't tax inheritances as it means some people are hit unfairly'

As noted, the Aspirational Individualist and Fiscal Sceptics are more likely to criticise inheritance tax based on the particularly negative implications for individuals in specific contexts. In particular, they refer to individuals who have gotten into debt, and feel that inheritance tax could contribute to that.

I think especially if you're struggling with debt as well, I mean, [inheritance tax] could send people to bankruptcy as well.
- Fiscal Sceptic. 46, Male, London, Renter.

You don't know what someone's personal position is. The person inheriting could be worth minus 1 million because they've lost money on investments, they've lost their home, they've lost businesses, and so on… If you're inheriting 1 million and all of a sudden that brings you back into the black. It's relative to where you are financially as well.
- Aspirational Individualist. 42, Male, East of England, Homeowner.

Many also refer to individuals who, due to lack of available cash, have to sell their house in order to pay inheritance tax. One person in our group also inaccurately felt that the majority of people would have to pay inheritance tax. This may contribute to a sense that many less wealthy people - who also tend to have less cash savings - will have to pay inheritance tax, and be more likely to have to sell their homes.

If you've worked all your life to leave, let's say, your house to your children and they inherit it, and they have to sell the house probably in order to pay the tax on it, rather than actually living in it, as their parents' last wish.
- Fiscal Sceptic. 53, Female, West Midlands, Homeowner.

I just think it's a shame that the majority of us, our spouses and our children and grandchildren will incur the inheritance tax, and will probably have to sell what they're inheriting in order to pay the taxes.
- Fiscal Sceptic. 65, Female, South East, Homeowner.

21 'Inheritance tax seen as an unfair tax but others are prioritised for cuts', IPSOS, 30 July 2023, https://www.ipsos.com/en-uk/inheritance-tax-seen-unfair-tax-others-are-prioritised-cuts

I've heard a lot of the stories of someone inheriting a house that, for example, has grown in value so much, they inherit it and then they themselves are not that well off and they can't afford to live here, so they always have to end up selling it.
- Aspirational Individualist. 30, Female, Wales, Homeowner·

The government does currently have some measures in place to help prevent this from happening. Under current regulations, inheritors of assets like houses (if they choose to live in it) can pay their inheritance tax charge in yearly instalments, plus interest, over a 10-year period. This is meant to smooth the costs and help people stay in the house if they want to - although inevitably some will not be able to incur the yearly instalments either. One Radical Progressive in our groups also suggested that inheritance tax could be held off until the property is sold.

Perhaps it could be a case of this is primary home and you are living in the primary home, you're not renting it out, then perhaps it would be that you don't pay the [inheritance] tax until that home is perhaps sold.
- Radical Progressive. 57, Male, Wales, Renter.

'Inheritance tax should not help tackle the passage of inequality through generations'

As we saw, many of the Radical Progressives and Social Pragmatists feel that inheritance tax should help tackle the passage of inequality across generations. Many of the Aspirational Individualists and Fiscal Sceptics, however, disagree with this. We've seen how many in these groups feel that people deserve the wealth passed on from their family, even if they themselves have not earned it individually themselves. Similarly, they do not frame inheritance receipt as a privilege for the receiver. Instead, many see it mainly purely as an accident - not reflective on any wider issues - and in turn, something that shouldn't be penalised.

It's not your fault you've been given £10,000,000, is it? You shouldn't be penalised and that money shouldn't be taken off you.
- Fiscal Sceptic. 47, Male, Scotland, Homeowner.

I don't think they should be penalised for your parents or your family's wealth beforehand. You've come into this world and you've had no involvement mainly how they've acquired that money.
- Fiscal Sceptic. 26, Male, Wales, Homeowner.

Others agreed that inheritance tax should not try to tackle generational inequality for other reasons. Some suggested that generational inequality is not an issue because we live in a society with a degree of meritocracy.

> *To a degree, everybody has the opportunity to get as much wealth as they want. That is working 24 hours a day.*
> - Aspirational Individualist. 71, Male, South West, Homeowner.

Others agreed that inheritance tax should not serve this function based on the kind of defeatist sentiment we noted earlier, whereby people feel that generational hierarchy and inequality is a fundamental part of society, and there's little use in the tax system trying to tackle that.

> *I think this is happening at the moment, and it's been happening for hundreds and thousands of years. It's always been an upper-class, a middle-class, and a working-class. You're never going to shorten that gap.*
> - Aspirational Individualist. 56, Female, Scotland, Homeowner.

SECTION 3
A TOOLKIT FOR ENGAGING WITH INHERITANCE TAX POLICY

Section 2 showed that, despite widespread concerns about inheritance taxation, there is a recognition across all attitudinal groups that it plays an important role in providing government funds. In more in-depth discussions, most also see it is a fair tax as long as the threshold is set at the right level. Given this, policymakers who agree we should keep inheritance tax need to help shift it from a tax that the public see as problematic but necessary, to one they are more enthusiastic about. Yet, they face a challenging policy landscape for two key reasons.

Firstly, inheritance taxation is currently at risk of being scrapped on the assumption that it would be an 'easy vote winner'. Policymakers who think the UK should keep inheritance taxation need to help shift the debate in the short-term (looking towards the next general election) to catalyse public support and demonstrate that it is not an easy vote winner.

Secondly, widespread concerns about inheritance taxation - its design and linkage to government spending - will remain in the longer-term, and continue to drive opposition to the tax. The current regime therefore needs reform. Demos will be exploring this in-depth in the second stage of our Unlocking Inheritance Programme, refining reforms to maximise both public support and economic benefits. Yet, policymakers must begin engaging with reforms ahead of the next election, to show the public they are committed to addressing their concerns about the tax.

This section outlines a toolkit for policymakers to meet these challenges.

Narratives to defend inheritance taxation

1. Emphasise the trade-offs
2. Emphasise current thresholds
3. Associate it more strongly with taxing wealth rather than work

Reforms to explore

1. Hypothecation
2. Fixing loopholes
3. Easing the administrative burden
4. Linking thresholds to property prices
5. Shifting the focus onto the wealth of the recipient

NARRATIVES TO DEFEND INHERITANCE TAXATION

Policymakers can use the following narratives and frames of discussions to catalyse public support for inheritance taxation in the short-term.

1 Emphasise the trade-offs

Arguing 'where else will the money come from'

Why?

People recognise that a cut to inheritance taxation will imply either an increase in taxation elsewhere (most likely on incomes), a cut to public spending, or to a lesser extent an increase in debt. As polls show, while people see inheritance tax as unfair in a general sense, they do not prioritise it for a cut.[22] Policymakers who think we should maintain the funds from inheritance could effectively utilise this narrative to build public opposition to a cut.

This approach also plays into the strong sense that people have about inheritance taxation being a 'necessary evil'. However, policymakers should be careful not to use the 'necessary evil' language in particular, as this may undermine other efforts to emphasise positive aspects of inheritance taxation. This approach also helps mitigate any concerns among the Aspirational Individualists or Fiscal Sceptics about inheritance taxation being the politics of envy or unjustly trying to tackle generational inequality, because it does not make any judgements about people with large inheritances - it makes an argument simply about fiscal demands and trade-offs.

What?

If targeting the Aspirational Individualists or Fiscal Sceptics, policymakers should emphasise that cutting tax on inheritance could mean that other taxes would rise. Particularly, they could argue that, to fund the abolishment of inheritance tax, the government would have to increase the base rate of income tax by 1%.[23] If targeting the Social Pragmatists and Radical Progressives, policymakers should emphasise the implications of scrapping inheritance for the NHS or education, e.g. it would mean £7 billion less to fund the NHS each year, which could otherwise dramatically cut patient waiting times by funding around 4.5 million checks, scans and procedures each year, according to estimates from the Department of Health and Social Care.[24,25]

2 Emphasise current thresholds

Highlighting that inheritance tax is rarely charged on estates worth under £1 million

Why?

Our survey and focus groups research showed us that people across many groups - particularly the Fiscal Sceptics, Social Pragmatists, and Radical Progressives - are much more receptive to taxing inheritances when thinking in terms of specific estate values. When the discussion is framed in these terms, the emotive associations that people hold when discussing inheritance tax in an abstract sense often slip away. This was also confirmed in our initial public attitudes research. We found that, while 55% said no inheritance should ever be taxed when asked in an abstract sense, when presented with certain amounts of inheritance, 75% said some amounts of inheritance should be taxed.[26]

22 'Inheritance tax seen as an unfair tax but others are prioritised for cuts', IPSOS, 30 July 2023, https://www.ipsos.com/en-uk/inheritance-tax-seen-unfair-tax-others-are-prioritised-cuts

23 Shah N, 'Scrapping inheritance tax, as Liz Truss suggests, is the wrong answer to the right problem', The i, 4 July 2023, https://inews.co.uk/inews-lifestyle/money/saving-and-banking/scrapping-inheritance-tax-liz-truss-wrong-answer-right-problem-2385175

24 Based on DHSC estimates that their £13.9 billion investment in the NHS over the next three years "will deliver 9 million more checks, scans and procedures over the next three years and will mean the NHS can aim to deliver 30% more elective activity by March 2025 than before the pandemic." If assuming a fixed rate of return, this means a £7 billion investment would fund around 4.5 million checks, scans and procedures.

25 DCMS Media Team, 'How we're tackling the NHS backlog', Department of Health and Social Care, 11 May 2023, https://healthmedia.blog.gov.uk//05/11/how-were-reducing-the-nhs-backlog/

26 Goss D and Glover B, The Inheritance Tax Puzzle: Challenging assumptions about public attitudes to inheritance, Demos, 14 June 2023, https://demos.co.uk/wp-content/uploads/2023/06/finalinheritance.pdf

Our earlier research also showed that people overestimate the extent to which they themselves might pay inheritance tax.[27] The reality is that a very small proportion of people will pay any inheritance tax, primarily because estates do not generally start paying tax until they are worth over £1 million, while the median household wealth in the UK is, in the most recent data available, £302,500.[28] Of estates worth £300,000-£1 million, for example, 85% are completely tax-free.[29] Highlighting that inheritance tax mainly only affects these very high value estates may help many people realise that it is generally only charged on estates worth much more than their own or the average person's estate.

We have also seen that people are concerned about passing judgement on wealthier individuals, but are less concerned about passing judgement on high amounts of wealth. If discussing the taxation of valuable inheritances, policymakers could mitigate concerns about inheritance tax being 'the politics of envy' if they refer only to 'high sums of wealth' or 'estates', rather than 'wealthy individuals' or 'inheritances'.

What?

Policymakers should emphasise that the large majority of inheritances worth under a million pounds (85%) are not charged any tax at all. If explaining how inheritance tax primarily affects high-value inheritances, policymakers should refer to 'high value estates' or 'estates worth over £1 million'.

3 Associate it more strongly with taxing wealth rather than work

Highlighting that huge sums of wealth are passed on and this should help fund public services more, rather than taxes on work

Why?

We have seen that many sceptics of inheritance taxation associate it with being, first and foremost, a tax on the hard-earned savings of workers, and thus anti-aspirational. Moreover, while people across all attitudinal groups feel the ultra-wealthy should not have so much wealth, many do not believe that inheritance tax is a tax almost primarily on higher amounts of wealth. This can help explain why, while the public are highly supportive of taxing higher amounts of wealth - even above just £500,000 - they often express opposition to inheritance tax.[30]

In fact, inheritance tax primarily affects wealth which is accumulated not through savings from work, but through rising asset prices. Resolution Foundation analysis finds that savings from income accounted for only a quarter of the increase in wealth from the mid-1980s to 2021, with the rest caused by increased asset prices.[31] In particular, the wealthiest in society (who inheritance tax affects) are highly likely to have accumulated their wealth in this way.[32] Yet, a large portion of the public associates wealth more with hard work and savings. There is therefore a need to shift the associations with inheritance tax away from savings acquired through work, towards higher amounts of wealth.

What?

Policymakers should frame inheritance taxation as a 'tax on large wealth transfers'. They should contrast it to taxes on work - emphasising that it helps fund public services less by taxing work, and more by taxing wealth. They could also emphasise that the current tax system rewards wealth more than work (as people who get their income through wealth often pay lower tax rates than those who get their income through work).[33]

Policymakers should emphasise that almost £150 billion of wealth is passed on each year (which, if spread

27 Ibid.
28 Office for National Statistics, Household total wealth in Great Britain: April 2018 to March 2020, 7 January 2022, https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/totalwealthingreatbritain/april2018tomarch2020
29 'Inheritance Tax statistics: commentary', HM Revenue and Customs, 26 July 2023, https://www.gov.uk/government/statistics/inheritance-tax-statistics-commentary/inheritance-tax-statistics-commentary
30 Smith F, 'Three quarters of Britons support wealth taxes on millionaires', YouGov, 23 January 2023, https://yougov.co.uk/topics/politics/articles-reports/2023/01/23/three-quarters-britons-support-wealth-taxes-millio
31 Broome M, Mulheirn I and Pittaway S, Peaked interest? What higher interest rates mean for the size and distribution of Britain's household wealth, Resolution Foundation, July 2023, https://www.resolutionfoundation.org/app/uploads/2023/07/Peaked-interest.pdf
32 Broome M and Leslie J, Arrears fears: The distribution of UK household wealth and the impact on families, Resolution Foundation, July 2022, https://www.resolutionfoundation.org/app/uploads/2022/07/Arrears-fears.pdf
33 Haglund A, Play fair: Equalising the taxation of earned and unearned income, Intergenerational Foundation, 3 August 2023, https://www.if.org.uk/wp-content/uploads/2023/08/Play_Fair-Equalising_the_taxation_of_earned_and_unearned_income_FINAL.pdf

between every household in the UK, would be worth £5,400 each).[34,35] Only 4% of this is taxed to fund public services - while work bears a much larger tax burden.

REFORMS TO EXPLORE

The following reforms would enhance public support for inheritance taxation and make it more resilient to criticism.

1 Hypothecation

Link inheritance taxation to compelling spending commitments

Why?

We have seen that many people - including across the Aspirational Individualists, Fiscal Sceptics, and Social Pragmatists - feel that inheritance taxation is a 'necessary evil' to fund the government. This is a widely recognised point in favour of inheritance taxation, but could be a more positive one. At the same time, people across attitudinal groups are concerned that government spending is inefficient and untransparent, that there is no clear reason for inheritance taxation, and that inheritance tax reflects the government cynically taking money wherever they can - which contributes to concerns about double taxation. This contributes to a general scepticism about inheritance taxation. These issues need to be addressed.

This begs the question, why are other taxes not subject to similar concern. People generally view the tax system, first and foremost, as a payment given to receive public services in return. Yet, this means taxes like VAT - which, like inheritance tax, are charged after people pay income tax and are not clearly linked to any public service provision - could seem equally as arbitrary and as providing no clear return as inheritance tax. But VAT and other such taxes are not subject to such wide concerns.

However, inheritance tax is different in several ways. Firstly, people place an emotional value on their estates at death - feeling they have worked to accumulate that over many years - and feel that they want that money to be used for things they consider important. Secondly, as the only tax on personal wealth transfers, inheritance taxation is an unusual tax that is not normalised within the tax system, and people feel this needs to be justified. Thirdly, people rarely engage with inheritance taxation (and so again it is not as normalised in the tax system), and it is mainly discussed in the news in terms of a moral debate, rather than the need for government funding - meaning people may associate it less closely with the functioning of government than, for example, VAT. It is therefore important to demonstrate that people are getting something in return when their inheritance is taxed.

What?

Policymakers should loosely link inheritance taxation to spending commitments, similar to National Insurance, provided as a reason why we need to tax inheritances.

It is also important to provide a reason why inheritances are taxed, rather than just increases in other taxes - and this could be built into the hypothecation. It is clear that many people do agree with some of the reasons given about why inheritances should be taxed, such as to help diminish generational inequality, or equalise tax between earned and unearned income. However, there are parts of government spending which it may seem intuitive to fund by taxing inheritance specifically. For example:

1. A future generations fund. Inheritance is often given to support the younger generation, but this primarily works through private wealth transfers, and many miss out. However, if some inheritance was directed towards a future generations fund investing in social programmes, it could also help support younger generations by removing their social barriers (e.g. housing, education, etc) - rather than just through increasing their wealth - and could help those who miss out. People could feel that their inheritance

34 Broome M, Corlett A and Thwaites G, Tax planning: How to match higher taxes with better taxes, Resolution Foundation, June 2023, https://economy2030.resolutionfoundation.org/wp-content/uploads/2023/06/Tax_planning.pdf
35 Office for National Statistics, Families and households in the UK: 2020, 2 March 2021, https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/bulletins/familiesandhouseholds/2020

taxation contributes to a valuable social inheritance.

2. Old-age social care. Many older people are forced to spend their wealth on old-age social care, which diminishes the amount they can give in inheritance.[36] If the money collected from inheritance taxation was directed towards investment in old-age social care, it would be used to help more people get more funding for their care needs. This would mean they could spend less of their own wealth and better maintain their inheritance. People could feel that the inheritance taxation system helps build stability around people's inheritances.

More research is needed to understand exactly what hypothecation would have the greatest public appeal - and this is something we will explore in the second strand of our Unlocking Inheritance programme.

We accept there are problems with such hypothecation. The Institute for Fiscal Studies (IFS) have noted how the optimal amount of public spending on a particular service is not aligned with the optimal amount of money raised from a particular tax.[37] Linking the tax and spending could therefore be economically inefficient. It is also true that hypothecated taxes tend to become delinked from their spending commitments over time, i.e. the public spending rarely corresponds with the tax revenues in the long-term. The IFS argues that hypothecation is therefore 'misleading'. They suggest that "While winning public support is clearly an important consideration for policy makers, it should not be an excuse for poor policy making".

Despite these problems, we feel that hypothecation of inheritance taxation is right. Firstly, as the inheritance tax debate shows, public support cannot be detached from concerns about efficiency. Inheritance tax - in being highly progressive, tackling generational inequality, and requiring less administrative effort than introducing a new wealth tax - is an efficient tax. Lack of public support puts it at risk of being scrapped, which would undermine the efficiency of our tax system. Our research suggests this risk will continue unless the government provides a clear reason why it exists, and is transparent about how it is spent. We therefore feel that hypothecation - despite its direct inefficiencies - would enable a more efficient tax system overall.

Secondly, on the concern about hypothecation being misleading, our research suggests that the public are not demanding a detailed breakdown of the relationship between specific taxes and specific spending. They are instead demanding a reason why taxes like inheritance tax are in place, and an indication that the money is being used for valuable purposes. Given this, we do not recommend a 'hard' hypothecation whereby certain levels of public spending correspond directly with certain tax revenues. It is true this would be misleading.

Instead we recommend a 'soft' hypothecation, whereby the government emphasises that it will use the revenue from inheritance taxation to boost spending on services such as those outlined above. If the government later cuts that public spending significantly - which could undermine the hypothecation - it should ensure it provides an alternative hypothecation for inheritance taxation, which the public can judge on its own merits. This would provide the public with an indication of how inheritance tax is spent - as they are asking for - while avoiding being misleading.

2 Clamping down on loopholes

Reform the exemptions so the wealthiest estates pay a fair effective tax rate

Why?

It is clear that people from all attitudinal groups support taxing the ultra-wealthy more, and are deeply angered by their perceived tax avoidance. Similarly, across society, people associate inheritance taxation closely with loopholes and complexities utilised by the wealthy.

These concerns do reflect real problems with the tax, as estates worth over £10 million pay a lower effective tax rate than those worth £1.5m-£2m.[38] Equally, a small number of estates with agricultural and business

36 Age UK, 'Do I have to sell my home to pay for care?', 7 July 2020, https://www.ageuk.org.uk/information-advice/care/paying-for-care/paying-for-a-care-home/do-i-have-to-sell-my-home-to-pay-for-care/

37 Advani A, Leicester A and Levell P, Hyping hypothecation: should green tax revenues be earmarked?, Institute for Fiscal Studies, 7 July 2011, https://ifs.org.uk/articles/hyping-hypothecation-should-green-tax-revenues-be-earmarked

38 'Inheritance Tax statistics: commentary', HM Revenue and Customs, 26 July 2023, https://www.gov.uk/government/statistics/inheritance-tax-statistics-commentary/inheritance-tax-statistics-commentary

property benefit from hugely valuable exemptions to inheritance taxation - despite these exemptions being designed to protect smaller businesses and farms. In 2019/20, just 113 estates claimed over £1bn of business property exemption, while just 71 estates claimed around £325m of agricultural property exemption.[39] Addressing these issues would have wide appeal, legitimise inheritance taxation across the board, and bring in extra public funds.

This action would also have public appeal in other ways. Firstly, it is clear that, according to the public, getting the threshold right is the most important part of making inheritance tax policy fair, as opposed to policies on specific assets etc. Reinforcing the thresholds by applying them fairly and consistently would signal that the government is serious about making inheritance tax fair for all. Secondly, some - particularly the Fiscal Sceptics and Aspirational Individualists - were concerned about the complexity of inheritance taxation at such a sad time, and several noted that they would need advisers to help them. Ensuring there are fewer loopholes would make the tax seem simpler and reduce the sense that people needed advisers. Lastly, while many people do not see inheritance tax, first and foremost, as useful in taking money off the wealthy and are averse to 'the politics of envy' - many people do not apply this thinking to the 'ultra-wealthy' - meaning it should avoid this concern.

What?

Policymakers must make sure that inheritance taxation affects people fairly. In particular, they could work to make sure the highest value estates do not pay a lower effective tax rate, and that significant amounts of inheritance tax exemptions aren't claimed by a small number of very valuable estates. This would help raise public funds from inheritance tax, while also providing a strong signal that policymakers are committed to making inheritance tax fairer.

3 Easing the administrative burden

Allowing people to pay inheritance tax a year after death rather than six months

Why?

There is widespread concern, particularly among the Fiscal Sceptics and Aspirational Individualists, that inheritance tax places too many burdens on people at a sad time, which contributes strongly to negative initial associations with inheritance tax. This is primarily based on the proximity of inheritance tax to death, compounded by the sense that it is overly complex and highly burdensome for people in grief. It contributes to the emotive imagery around inheritance tax as a 'death tax'.

Currently, the executor of a will - who is chosen by the deceased to handle their estate and bequests after death (often a family member) - must pay any inheritance tax on the estate by the end of the sixth month after the death.[40,41] After this date, HM Revenue and Customs starts charging interest. This demand to pay within six months contributes to the sense of emotional burden around inheritance tax, and in turn to scepticism about it.

What?

Policymakers should explore how to ease the administrative burden of inheritance taxation, in particular by extending the payment period. This would help reduce the sense of burden around the tax, while signalling that policymakers are working to alleviate people's concerns. Doubling the payment period to a year would be a powerful and memorable signal.

This would come with some costs. Firstly, many executors of wills would pay the inheritance tax bill later than otherwise, and the real value of that bill would diminish over time due to inflation. This would reduce revenues slightly. Secondly, for those who would pay later independent of how long the payment period is, they would not start paying interest until a later date. This too would reduce HM Treasury revenues slightly. Lastly, there may be administrative costs based both on the transition to a new policy and the need for longer

39 Broome M, Corlett A and Thwaites G, Tax planning: How to match higher taxes with better taxes, Resolution Foundation, June 2023, https://economy2030.resolutionfoundation.org/wp-content/uploads/2023/06/Tax_planning.pdf
40 HM Revenue and Customs, 'Pay your Inheritance Tax bill', Gov.uk, no date, https://www.gov.uk/paying-inheritance-tax
41 Age UK, 'What is an executor?', 23 August 2023, https://www.ageuk.org.uk/information-advice/money-legal/legal-issues/power-of-attorney/what-do-executors-do/

record-keeping. All of these costs are relatively small; we think they are outweighed by the fact that easing the administrative burden of inheritance tax will mean it is more likely to be retained in the long-term.

4 Linking thresholds to property prices

Adjusting thresholds each year in accordance with changes in the average house price

Why?

People across the Aspirational Individualists, Fiscal Sceptics and Social Pragmatists generally feel that, if there is going to be inheritance taxation, the threshold should reflect property prices. People see ownership of a main residence (in most circumstances), alongside some amount of savings, as a 'normal' accumulation of wealth. In contrast, particularly valuable main residences and assets like second homes are seen as reflecting 'high amounts' of wealth. While people tend to think those with high amounts of wealth should pay inheritance tax, they generally think those with 'normal' amounts should not.

Accordingly, while there are significant disagreements about where exactly the distinction is drawn, there is agreement that most main residences should be tax-free. However, many people feel this is not the case. They are aware that the threshold does not vary with property prices and generally overestimate the extent to which people are affected.

In reality, the large majority of main residences are tax-free. The median UK house price in 2023 is around £286,000 - 43% lower than the inheritance tax threshold for main residences (£500,000).[42] Even the most valuable houses are not generally liable. For example, a house at the 90th percentile (worth more than 90% of homes in the UK) was worth around £510,000 in 2019 data.[43] Yet, the minimum threshold for a main residence in 2018/19 was £475,000, and most estates (due to the doubling of the threshold for couples) experienced a threshold of £950,000.[44]

People across the more sceptical groups - Aspirational Individualists and Fiscal Sceptics - were also concerned about people increasingly being pulled into inheritance tax due to rising house prices, with some feeling more cynical about the tax as a 'stealth tax'. This contributes to the sense that it is simply a tax about grabbing money, without an underlying rationale - leading to a wider sense of negativity about the tax.

What?

Policymakers should explore linking the threshold to the price of property, such that it changes according to changes in the average price of property. This would give people confidence that most main homes will not be charged inheritance tax and that the government is not using inheritance tax as a stealth tax or an easy way to gain extra revenue without a clear reason. This would alleviate concerns among sceptics about the tax.

This would of course limit the flexibility of HM Treasury to set thresholds. For example, the government recently froze inheritance tax thresholds until 2028 - used as a key method to raise its revenue in recent years while causing less public concern than rate rises.[45] Yet, given the high risk that inheritance tax is cut or scrapped altogether - which would be difficult for later governments to reverse and potentially eradicate all its revenue - we believe the reform is worth it on-balance. The reform would also still give HM Treasury the flexibility to set the baseline rate (i.e. is it 50% higher than the average house price, or 60% higher).

42 Office for National Statistics, UK House Price Index: April 2023, 21 June 2023, https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/april2023

43 Cook L, What price are Britain's top properties?, Savills, 26 June 2019, https://www.savills.co.uk/blog/article/283860/residential-property/what-price-are-britain-s-top-properties-.aspx

44 DNS Accountants, HMRC Inheritance Tax Guide, no date, https://www.dnsassociates.co.uk/hmrc-inheritance-tax-changes-and-threshold

45 Waters T and Wernham T, Reforms, roll-outs and freezes in the tax and benefit system, Institute for Fiscal Studies, 6 October 2022, https://ifs.org.uk/publications/reforms-roll-outs-and-freezes-tax-and-benefit-system

5 Shifting the focus onto the wealth of the recipient

Basing thresholds on the amount received and recipient's present wealth

Why?

We have seen that Radical Progressives and Social Pragmatists see inheritance tax as a cost, first and foremost, to the recipient of inheritance rather than the person passing it on. Based on this, they are more likely to see it as important in tackling generational inequality and taxing unearned income more. Aspirational Individualists and Fiscal Sceptics tend to disagree with this - seeing inheritance tax as a cost to earned wealth of the giver. In turn they are more likely to feel that inheritance taxation is anti-aspirational (penalising the giver's efforts to earn that money) and double taxation (as the giver has already paid income tax on that money).

This may in part be because inheritance taxation in the UK is charged on the estate of the deceased, and not on the receipt of inheritance. This means that, if someone leaves £1 million in inheritance, the same amount of tax is paid whether they leave it to one person or ten people. The amount people receive is not considered important within the tax regime.

The UK is in a small minority of countries who tax inheritance in this way. Of the 24 OECD countries with inheritance taxes, just four tax the estate of the deceased. In contrast, the other twenty tax the recipient of inheritance, meaning the tax varies with how much people receive rather than how much they give.[46]

If the UK taxed the recipient like most other OECD countries, the public might be more likely to see inheritance tax as a cost to the recipient rather than the giver, alleviating concerns about penalising aspiration and double taxation.

The Spanish system is an interesting example of this. In Spain, a progressive tax rate is applied to inheritances, varying by how much is received. The rates vary by the relationship of the receiver to the giver (e.g. close family recipients are taxed at lower rates), and importantly, also with the receiver's net wealth prior to receiving the inheritance (meaning those with more wealth are charged higher rates).[47] The tax therefore sees as important not only the amount people receive, but also the extent to which the recipient can afford it given their overall wealth. It can be framed not just as a tax on inheritance, but also on high amounts of wealth.

If applied to the UK, a tax like the regime in Spain could help reframe inheritance tax as first and foremost a cost to the recipient of inheritance, but also as a tax specifically paid by those with high amounts of wealth.

This could also help alleviate their concerns. The Aspirational Individualists, and to some degree Fiscal Sceptics, are concerned that inheritance tax could hit some people particularly hard, in particular if they have little wealth and are seen to need all the inheritance they can get, or if the tax forces them to sell assets with sentimental value. A system like that in Spain would ensure that those with less wealth pay less tax, mitigating these concerns.

What?

Policymakers should explore ways to tax the recipient of inheritance, rather than the estate itself, looking at the various options across Europe. This should be framed as a reform to ensure only those who have lots of wealth, and who receive lots of wealth, should be asked to contribute tax for public funds.

We at Demos will be undertaking further research on what this should look like, in terms of both aligning with public preferences and fiscal efficiency.

46 OECD, Inheritance Taxation in OECD Countries, OECD Tax Policy Studies, 11 May 2021, https://www.oecd.org/tax/tax-policy/inheritance-taxation-in-oecd-countries-e2879a7d-en.htm

47 EY, Worldwide Estate and Inheritance Tax Guide 2023, 20 July 2023, https://www.ey.com/en_gl/tax-guides/worldwide-estate-and-inheritance-tax-guide

CONCLUSION

We have made the case in this and previous reports that inheritance taxation should continue, but with reforms to address public concerns. Yet, the current policy debate is not fit for purpose. The public's initial aversion to the tax, their concerns about it, and a lack of understanding of their reasons in support drive an assumption that it is universally unpopular. This holds back a more nuanced and forward-looking discussion.

This paper demonstrates that in the context of a national debate, there could be a broad base of support for some level of inheritance taxation - even among those who are initially more sceptical about the tax. Despite widespread concerns about inheritance taxation, there is a recognition across the population that it plays an important role in providing government funds. Upon further consideration of the tax - in consideration of the trade-offs involved with a cut - many see it is as fair as long as the threshold is set at the right level.

This should give confidence to policymakers who seek to maintain inheritance tax. Our research suggests that much of the public would get behind them as long as they approach it carefully. They must recognise and address the widespread concerns about how inheritance tax revenue is spent, its avoidance by the rich, the administrative burdens it places during grief, and the sense that there is little reason to tax inheritances specifically. At the same time, they must align with people's reasons for supporting the tax, particularly around its contribution to government funds, and the need to tax high amounts of wealth.

To do this, policymakers need carefully crafted arguments, framing, and reforms. To first defend the principle of inheritance taxation, they should seek to frame the discussion in terms of: (1) the negative consequences of cutting inheritance tax; (2) the existing thresholds and the high amounts of wealth it targets; and (3) and the fact that inheritance taxation helps increase the tax paid on wealth and relieve the tax burden on work.

To address people's concerns in the long-term, policymakers must also explore reform. First, hypothecation - linking inheritance taxation to popular spending commitments - could be essential for providing a clear sense of purpose for the tax and alleviate concerns about double taxation. Second, reforming exemptions to ensure the wealthiest pay their fair share would enhance the tax's legitimacy and reduce the sense it is overly complex. Third, easing the administrative burden - for example by allowing people to pay inheritance tax a year after death rather than six months - could help address concerns about the unfair burdens that it creates following a death. Fourth, linking thresholds to property prices could give people confidence that most main homes will not be charged inheritance tax, and that it is not a 'stealth tax'. Fifth, basing inheritance tax thresholds on the amount received in inheritance (rather than the amount given) could help de-associate it with being a tax on the giver, alleviating concerns about double taxation and penalising aspiration.

The details of these reforms require further research. As we approach the next general election - one in which inheritance tax could feature as one of the biggest fiscal debates - Demos will continue exploring how these narratives and reforms can best align with what the public care about.

ANNEXES

ANNEX 1: METHODOLOGY

Survey

We surveyed a nationally representative sample of 2,037 members of the public from the 20th to 29th December 2022.

We asked people about attitudes to inheritance specifically passed down generations - as opposed to, for example, between spouses - as this has the biggest impact on factors like social mobility and housing tenure. Respondents were asked a set of questions designed to uncover the many different ways they may think about these inheritances, and how these interact. It asked people not just about their views on inheritance in general, but about inheritance of different amounts and different types of asset, inheritance given by and to different people, and inequalities in inheritance. It asked people to explain their support for, or scepticism about, inheritance being tax-free, and to expand on their reasoning. It related all this to people's wider experiences, expectations and aspirations for inheritance, as well as their views both of the role inheritance plays in society and of adjacent issues around taxation and government spending.

Cluster analysis

The four groups are clustered using the k-means clustering method. This method aims to assign each respondent to one of the four clusters by making the distance between the centre of the group and the respondents as small as possible. Specifically, the method minimises the sum of squares from the observations to the centre of the cluster. The result is that all respondents are allocated to four clusters on the basis of their attitudes towards the inheritance tax questions.

We ran this clustering on 33 questions within the survey. One of these was about what amount of inheritance participants thought people should be allowed to pass on tax-free, and all others were around the extent to which specific inheritances - of specific types of asset, given to specific people, or given by specific people - should be tax-free, on a scale from 'should never be tax-free' to 'should always be tax-free'. These questions were the following:

- **Q5:** *Around how much inheritance do you think people should generally be able to pass on to younger generations tax-free? Any more than this amount, a portion would be paid in tax.*
- **Q6:** *We want to know how people feel about inheritances of different types of asset. To what extent should people be able to pass on the following types of asset to younger generations as inheritance tax-free?*
    - Main residence
    - Secondary home that is worth the same amount as when it was bought
    - Secondary home that has doubled in value since it was bought
    - Low value physical assets (e.g. furniture and electronic devices worth under £2,000)
    - High value physical assets (e.g. art and jewellery worth over £20,000)
    - Pension
    - Shares in a business you own
    - Financial assets (e.g. stocks and shares, bonds)
    - Savings acquired from wages
    - Savings acquired from prior inheritance

- **Q7:** *We want to know how people feel about inheritances given by different people in older generations. To what extent should inheritance given by the following people be tax-free?*
    - Inheritances given by people who got their money by working (e.g. employment or running a business) rather than other ways (e.g. inheritance or increased house price)
    - Inheritances given by people who got their money by other ways (e.g. inheritance or increased house price) rather than working (e.g. employment or running a business)
    - Inheritances given by parents
    - Inheritances given by grandparents
    - Inheritances given by aunties and uncles
    - Inheritances given by friends
- **Q8:** *We want to know how people feel about inheritances given to different people in younger generations. To what extent should inheritances given to the following people be tax-free?*
    - Inheritances given to people who own a house
    - Inheritances given to people who don't own a house
    - Inheritances given to people with under £1,000 savings
    - Inheritances given to people with over £50,000 savings
    - Inheritances given to people earning under average income
    - Inheritances given to people earning over twice average income
    - Inheritances given to people who have gotten their money by working (e.g. employment or running a business) rather than other ways (e.g. inheritance or increased house price)
    - Inheritances given to people who have gotten their money by other ways (e.g. inheritance or increased house price) rather than working (e.g. employment or running a business)
- **Q9:** *You will now see another list of people who might be given inheritances. To what extent should inheritances given to the following people be tax-free?*
    - Inheritances given to people who plan to save and invest it
    - Inheritances given to people who plan to spend it within a year
    - Inheritances given to people who have never received an inheritance before
    - Inheritances given to people who have received £100,000 in inheritance before
    - Inheritances given to children
    - Inheritances given to grandchildren
    - Inheritances given to nieces and nephews
    - Inheritances given to friends

Focus groups

We ran three focus groups - each of 8-10 participants - with each of the four cluster groups, making twelve in total. To allocate potential participants into their focus groups, we had to ask a set of questions during recruitment that would indicate which attitudinal clusters a potential participant would be in. While the attitudinal clusters in the survey were determined by answers to 32 questions, given the time constraints on a recruitment call, we had to narrow this down to three questions. We identified those questions within the survey that, collectively, most closely predicted which attitudinal group a respondent would be in. These were the following:

1. *Around how much inheritance do you think people should generally be able to pass on to younger generations tax-free? Any more than this amount, a portion would be paid in tax*
2. *To what extent should inheritances given to people who don't own a house be tax-free?*
3. *To what extent should inheritances given to people who have never received an inheritance before be tax-free?*

The focus groups ran in April and May 2023. Discussion were structured in the following way:

- Introductory discussion on broad attitudes to wealth and society
- Attitudes to different inheritances, by relationship between giver and receiver, asset type, and amount.
- Articulation of key drivers of support for and opposition to inheritance taxation
- Testing opposition and support to policy intervention in inheritance, through prompts on:
    - Double taxation
    - Inheritance being a privacy issue
    - Inheritance tax affecting 'people like me'
    - Inheritance contribution to inequalities in housing
    - Inequalities in inheritance over generations
    - Some people receiving much more than they need
    - Government supporting those who receive less than they need

Analysis of the focus groups involved coding quotes into particular themes, which are reflected in the write-up of this paper.

ANNEX 2: SUMMARY OF CLUSTER SURVEY DATA

	Aspirational Individualists	Fiscal Sceptics	Social Pragmatists	Radical Progressives
Demographics	More likely to be non-graduate, older	More likely to be middle-aged, middle income	More likely to be from home counties, and high-earners	More likely to be young metropolitan graduates
Politics	More likely Conservative, less likely Labour	Representative of national politics	More likely Lib Dems and Conservatives (the latter slightly less so), and less likely Labour	Much more likely Labour, much less likely Conservative
Survey responses	Very few concerns about tax-free inheritance, highly concerned about double taxation	Few concerns about tax-free inheritance, highly concerned about double taxation	Concerned about inheritance being tax-free due to inequalities and the fairness of inheritance tax, but concerned about taxing inheritances due to the unfairness of inheritance tax and the giver's and receiver's rights	Concerned about inheritance being tax-free due to inequalities and the fairness of inheritance tax, but concerned about taxing inheritances due to personal need of inheritance and the unfairness of the tax

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