

DEMOS

# LOST IDEALS

CONSERVATIVES IN THE  
NEW AGE OF INHERITANCE

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JULY 2023

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Any mistakes or errors in this paper are solely my responsibility.

Andrew O'Brien  
July 2023

## ABOUT THE UNLOCKING INHERITANCE PROGRAMME AT DEMOS

As the value of inheritances in the UK has doubled in recent decades and continues to increase, Demos is undertaking a new 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.

As part of this programme we will be publishing a series of briefing papers on this issue, conducting new research on public attitudes towards inheritance and convening a series of events.

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](mailto:dan.goss@demos.co.uk).

# INTRODUCTION

We are entering a 'New Age of Inheritance', with the amount of assets passing between generations rapidly increasing. At the same time, the policy landscape appears uncertain. Some Conservatives are proposing that the Conservatives should cut or abolish inheritance tax. Others want to see inheritance tax maintained at current levels.

Central to this policy uncertainty is a lack of clarity about the purpose of inheritance which this paper seeks to respond to. What is the role of inheritance in today's Britain? What are we trying to achieve? What is the tax and policy environment that can help us build a better future.

The purpose of this paper is to firstly, identify what values should guide Conservative thinking on inheritance. Secondly, to identify whether those ideas have been put into practice through Conservative policy and how that has changed over time. Finally, to consider how Conservatives should deploy their values in this New Age of Inheritance and the potential policy options. This is relevant to the major debate taking place within the Conservative Party over inheritance tax.

This paper is not limited to just the Conservative Party and its members. It is of interest to anyone interested in conservative ideas. These ideas have insights that are available to people of all political parties and none. However, this paper is the first of two papers looking at inheritance through the prism of our two main political parties. A paper on Labour in the New Age of Inheritance will be published in Autumn 2023.

The thesis of this paper is that the Conservatives have narrowed their vision on inheritance. For generations, Conservative ideas on inheritance were shaped by ideas of duty and partnership with future generations. This vision of society as a 'dutiful partnership' has been jettisoned. Instead, Conservatives have come to view inheritance exclusively through the prism of family relationships, ignoring a wider sense of *civic inheritance*, our collective social, economic and environmental infrastructure and the value of contributing to public goods.

In recent years, this has led the Conservatives to excessively focus on cutting inheritance tax, ignoring the broader trends in inheritance and the purpose of inheritance. Inheritance is alive and well, with over £100bn being transferred between generations in the UK according to the most recent data. However, this inheritance is not being evenly distributed and our *civic inheritance* is being eroded. Conservatives have also failed to celebrate the positive contribution of tax, seeing it as 'morally wrong' rather than part of people's civic contribution.

During all its time in office, the Conservative Party has never abolished inheritance tax even during periods (such as the late 19th Century) where they were in an electoral position to do so and the public finances were in a relatively healthy position. In the 1990s, the last time a major argument was made to abolish inheritance tax was proposed, it was not taken forward.

The Conservative Party has always looked at inheritance from a wider perspective, importantly our duty to society and future generations. Targeting help to those that need it, encouraging people to support our civic institutions, contribute to the provision of public goods and avoid leaving future generations with large public debts need to be balanced against the costs of cutting inheritance tax across the board.

As Conservatives seek to navigate the New Age of Inheritance, the party must draw on its deeper traditions and values to shape its policy response.

# A DUTIFUL PARTNERSHIP CITIZENS, COMMUNITIES AND FUTURE GENERATIONS

## THE IDEA OF INHERITANCE

There are few things that seem to have as much emotive power on the Conservative mind as the concept of inheritance. Edmund Burke, generally accepted to be the intellectual father of modern conservatism, put inheritance at the core of his philosophy. For Burke, conservatism is the covenant between the dead, the living and those that are yet to be born. How can this covenant be upheld without the idea of inheritance, of passing on from one generation to the next? As Burke himself argued:

*"...the people of England well know that the idea of inheritance furnishes a sure principle of conservation and a sure principle of transmission, without at all excluding a principle of improvement. It leaves acquisition free, but it secures what it acquires."<sup>1</sup>*

Conservatism will always, therefore, seek to promote inheritance. Based on Demos' research, Conservatives should be pleased. The 'idea of inheritance' is alive and well. Financially, we are entering a 'New Age of Inheritance' with over £100bn in assets being transferred between generations.<sup>2</sup> Emotionally, the concept of inheritance remains a popular one. Being able to pass on an inheritance to future generations is considered aspirational. Conservatives concerned about the idea of inheritance and encouraging people to pass on gifts to their loved ones need not fear.

However, whilst the 'idea of inheritance' has thrived, it has also narrowed. When Burke wrote about inheritance, the idea was not simply a consideration of material property. He was also focused on the immaterial. In the sentences preceding his famous phrase of society being a "partnership" between the living, dead and future generations, he referenced that this was "a partnership in all science; a partnership in all art; a partnership in every virtue and in all perfection."<sup>3</sup> Like much of modern politics, inheritance has become focused on the material and individual. This paper is as guilty as any other, in that it does focus primarily on material inheritance, the physical and financial assets that are gifted from one generation to the next.

However, it is important to state at the beginning that not all inheritance is distributed financially or through physical assets, as Burke understood. Religion, knowledge, experiences, rituals, passions, hobbies, stories, memories, and culture are as important a part of inheritance as physical and financial assets. This is the inheritance that conservative thinkers such as Burke were just as concerned to preserve. Immaterial inheritance should be supported by Conservatives too by supporting policies that give people the chance to spend quality time with their families, through providing safe and accessible spaces to gather, maintaining churches, museums and galleries and other cultural institutions and through high-quality public services that enable people to live longer, healthier lives. Conservatives should pay as much attention to the immaterial as the material and financial aspects of inheritance.

1 E. Burke, Reflections on the Revolution in France, 1790

2 Demos, A New Age of Inheritance: What does it mean for the UK?, January 2023

3 E. Burke, Reflections on the Revolution in France, 1790

This also touches upon another important point that Conservatives should not forget, inheritance is not simply an individual matter but a collective and civic one. Conservatives have traditionally supported this civic vision of inheritance. The idea of maintaining social and public goods that can be passed on from one generation to the next is something that is regularly celebrated by Conservatives. It is for this reason that Conservatives have venerated generations that have left us physical and intellectual gifts that have endured for centuries. The cathedrals and churches built during the mediaeval period, the schools and colleges of the Tudor age, the Victorians who left thousands of miles of infrastructure as well as many of the public buildings that we are still using up to this day, the 'spirit of '45' that built our National Health Service. In previous centuries, this civic inheritance was rooted in philanthropy, something that still has an important role to play in our future. However, we must also accept that in our present age the state has taken a greater role in creating and maintaining these public goods (e.g. the National Health Service). Our complex modern society means that things often cannot be left purely to individual agency. When certainty is required, the state has to step in to grow and maintain these important assets. Rather than seeing taxation as an imposition, Conservatives should recognise that, where effectively and efficiently deployed, taxation to maintain that civic inheritance is core to conservative ideas.

## THE DUTY PRINCIPLE AND THE PARTNERSHIP PRINCIPLE

The idea of civic inheritance highlights the fact that for Conservatives the rights over the assets that we own is never absolute. Conservatives support the idea of inheritance not because of a belief in the right of people to do whatever they want, but because the act of building an inheritance and passing it on strengthens the bonds within families, communities and helps the next generation, as Burke argued. Conservatives also believe that people should be encouraged to take responsibility for themselves, for their families and the wider community. These points lead us to identify two principles for Conservatives when considering the issue of inheritance.

**1. The 'duty' principle** – people should always be encouraged to take responsibility to provide for their families, their community and the nation in proportion to their means and ability to do so.

**2. The 'partnership' principle** – if, in the words of Burke, society is a partnership between “those who are living, those who are dead, and those who are to be born”,<sup>4</sup> then inheritance should seek to maximise the benefits to future generations creating strong social and cultural bonds across communities

The first principle is clear enough. The idea that we should all take responsibility for our lives and for those around us is a universal impulse. This responsibility takes many forms, it is not purely a material consideration. However, in financial terms, inheritance people should be encouraged to help support their families, their community and the nation. Practically, for most people, it will not be possible for inheritances to do more than to provide something for their loved ones and families. According to the Institute for Fiscal Studies (IFS), one-fifth of those born in the 1980s can expect to inherit less than £10,000. It would be wrong to ask those leaving behind small sums to consider their responsibilities to the wider community and the country as a whole ahead of those of their own family.<sup>5</sup> But for those that have the resources to do so, people should be encouraged to think beyond just their own family circle but for the community and the nation as a whole. Benjamin Disraeli, in the preface to the 1870 edition of his novels, wrote that the “main principle” of property should be “the fulfilment of duty”.<sup>6</sup> The idea of duty for Disraeli was not simply a narrow one to our loved ones but a broader set of social responsibilities. The concept of duty is something that has stretched through conservative thinking - in politics, philosophy and art - for centuries. Not only is duty a moral principle that stands on its own terms, but Conservatives also believe that it is only through a strong community (local and national) that we can find meaning and lead fulfilling lives. All of us are responsible for maintaining those communities in life and in death.

The second principle is also important. If the first principle is a *quantitative* principle (we should think about our responsibilities to others), the second is a *qualitative* principle (we should leave inheritance in a way that people will look back and think that we have made the best possible difference to future generations). A modern successor to Burke's idea of partnership, is philosopher Roman Krznaric's book *The Good Ancestor* outlines the need for us to think long term about our decisions, noting the legacies that human beings have left behind for future generations. This is conservative thinking *par excellence*. Assets which improve the capacity for human potential are generally the

4 E. Burke, *Reflections on the Revolution in France*, 1790

5 Institute for Fiscal Studies, *Inheritance and Inequalities within generations*, July 2020

6 Quotation from R. Scurton, *The Meaning of Conservatism*, 2002 p.109

most effective ways to be a good ancestor (e.g. decent housing, money to improve education, health and wellbeing, constructing or maintaining social and civic institutions) and are preferable to luxury items that are only good for consumption. Of course, Conservatives are sympathetic to the sentiment and there are luxury items (personal clothing, jewellery etc.) that have deep sentiment meaning. Appropriation of these items by the state or any external agent would not be just. However, in general, Conservatives favour those choices that seek to provide the greatest *long term benefit* to families, communities and society as a whole. This is true of inheritance as much as anything else.

Taken together, these two principles provide a clear framework for conservative to think about inheritance. The first, justifies the conservative impulse for inheritance and is a counter to those that think inheritance is wrong, because it favours certain people over others, in itself. The second, conditions the way that we think about the legacies that we leave behind and encourages the sort of behaviour that Conservatives wish to see. In practice, it is a principle that would recognise the value of tax contributions to maintain public goods as well as giving to charity and community institutions, something that most Conservatives would wish to encourage. Importantly, both principles provide a justification both for the *personal exercise* of inheritance (i.e. passing on our family home or money to our grandchildren) and for *civic exercise* of inheritance (i.e. giving money to organisations and people outside of our immediate family such as charities as well as contributing to society through taxation for future public goods). Like any conservative approach to philosophy, neither of these principles can be considered absolutes and there are tensions between them.

To what extent should I prioritise my responsibility to family over the community? To what extent is a legacy merely transferring a luxury or expanding the capacities of the next generation?

## **KNOWLEDGE, FREEDOM AND COLLECTIVE ACTION**

This does raise an important epistemological question. Who is best to judge these principles? Libertarians and 'classical liberals' would argue that it is only individuals that are able to judge these principles. This understanding has captured the Conservative Party in recent years. However, Conservatives of an older generation would argue that these sort of ethical dilemmas are both a matter for individual and collective judgement. Flexibility

should be given for individuals to make a judgement on matters concerning themselves and their families (for example, do I put money aside for university or vocational education for my grandchildren or do I invest in a property that I can leave behind to them?) but decisions around inheritance do have general social implications. At different times and in different circumstances, Conservatives recognise the need to condition the choices that people make. For example, in a period in which the public debt is growing, it may be better to pool the financial value of inheritance in order to meet the cost of debt as we saw after the Second World War. There are also times when the best decision is one that can only be taken collectively (i.e. to invest in the creation of new health service) that no one individual (or even small group of individuals) can conceive but which can be made possible through the collective action when convened at a national level. In ignoring the possibility for collective judgement, libertarians and classical liberals risk missing the possibilities to fulfil the 'partnership' principle. This is why Conservatives tend to prefer iterative principles rather than 'iron laws' or rights that reduce the scope for action. Crucially, in a democratic society, this is a debate that should happen in public and be influenced by the electoral choices that citizens make.

Immediately, some Conservatives would argue that these principles ignore the primacy of private property. It is true that Conservatives have always supported the importance of private property, however, this has never been understood as an absolute moratorium on interfering with property. Even those thinkers that have traditionally been deployed to defend the absolute nature of private property such as John Locke, the intellectual father of modern liberalism, were clear that there are limits to private property. In the case of Locke, it is often forgotten that he believed that people should only have the right to property providing that "enough and as good" is left to others, that the property has been earned through the use of one's labour and that property can be put to productive use and not "spoiled".<sup>7</sup> It is clear that in our current context, some form of taxation and redistribution is essential to meet those criteria. The point is that although it is popular in some Conservative circles to argue against all forms of taxation on property as interference, this has never been a traditionally Conservative argument or even a liberal argument.

Another principle that some Conservatives would argue for is the idea of financial freedom. In the decades following the Second World War, the idea that individuals should be 'free' to do what they wish with their money has garnered many advocates. Whilst on the face of it this feels difficult to argue



against, this principle falls down as soon as anyone considers practical examples. For example, the idea that Conservatives (or anyone) should create a policy that treats a super-wealthy individual leaving luxury items to their descendents the same as those that leave money aside for vulnerable loved ones is not credible. The latter clearly demonstrates a motivation towards helping the next generation and exercising responsibility, the other a level of irresponsibility and no care for wider society. Should people be allowed to leave their financial resources in an irresponsible way? Traditionally, Conservatives would say that this should be strongly discouraged. Across the tax system, Conservatives regularly argue for incentives in order to encourage the behaviours that they wish to see (e.g. investment in capital equipment, spending on training or education etc.). Inheritance is no different. If Conservatives wish to promote particular values, they need to build those into the design of policies that impact inheritance, most notably taxation.

What is a Conservative vision of inheritance? In a phrase, it is "dutiful partnership". Conservatives want to encourage people to take responsibility for themselves, their families and wider society. Conservatives want to encourage everyone to act with a long term view to that partnership between the present and future generations. These are the values that should guide Conservative thinking on inheritance. To what extent these Conservative values have guided Conservative policy on inheritance is the subject of the next section.

# VALUES DRIFT

## CONSERVATIVE POLICY AND INHERITANCE

Principles are important because without them policy making is blind. The circumstances in which Conservatives deploy those principles, however, are constantly changing and policy needs to adapt to the situations that present themselves.

The primary mechanism through which inheritance has been influenced over the past several centuries has been through taxation. Direct confiscation or prohibition has not been the general approach in Britain to matters of inheritance. Instead, policy makers have interacted with inheritance through the tax system, at various times increasing and decreasing the levels and scope of inheritance taxation.

### CONSERVATIVE POLICY ON INHERITANCE TAX

The Conservative Party already inherited a system for taxing inheritance, significantly expanded by Prime Minister William Pitt the Younger to finance the Napoleonic Wars. During all its time in office, the Conservative Party has never abolished inheritance tax even during periods (such as the late 19th Century) where they were in an electoral position to do so and the public finances were in a relatively healthy position.<sup>8</sup> Levying inheritance taxes was seen as a proportionate way of funding the state, with 9% of government revenue in 1912-13 coming through estate duty.<sup>9</sup> Although in general increases in inheritance tax or changes to the way the tax was levied were driven by Liberal and Labour governments, Conservative views on these

changes did not tend to fall into outright opposition of the principle of inheritance tax. For example, Conservative Chancellor (and future Prime Minister), Benjamin Disraeli had considered introducing a 'Succession Duty', one of the predecessors of today's Inheritance Tax, in 1852 to raise revenue and resolve anomalies in the system.<sup>10</sup> When the Liberal Government then introduced Succession Duty, Disraeli did not oppose its introduction but rather the way it was being spent. He believed that it should be used in order to reduce the burden of income tax, demonstrating an early preference in the Conservative Party to tax labour differently to wealth.<sup>11</sup> A period of relative stability on the taxation of inheritances continued throughout the late nineteenth and early twentieth centuries.

The inter-war period and post-war period saw Conservatives raise and maintain high levels of tax on inheritance, with estates duty, a predecessor of modern Inheritance Tax, reaching 80% by 1964.<sup>12</sup> Quintin Hogg, then Chairman of the Conservative Party, wrote his 1947 book *The Conservative Case* that the Conservatives had accepted the need for a progressive tax on inheritances in order to share the burden of taxation fairly.<sup>13</sup> This described the Conservative's position on inheritance tax for the next two decades. The 1970s saw the Conservatives reduce inheritance tax to 75%.<sup>14</sup> However, Thatcher's election to office saw the Conservatives look to more libertarian ideas. In the gap between Heath and Thatcher, Labour had introduced a 'capital transfer tax' to raise money on all gifts given within people's lifetimes. This had been opposed by the Conservatives in opposition because of

8 B. Mallet, *British Budgets 1887-1888 to 1912-1913*, 1913

9 House of Commons Library, *Inheritance Tax - Research Briefing*, November 1995

10 Hansard, *Financial Statement - The Budget*, HC Deb 28 April 1853 vol 126 cc682-750

11 Hansard, *The Budget - Ways and Means - Succession Duties*, HC Deb 12 May 1853 vol 127 cc258-90

12 HMRC, *Scale of Estate Duty Rates*, accessed May 2023

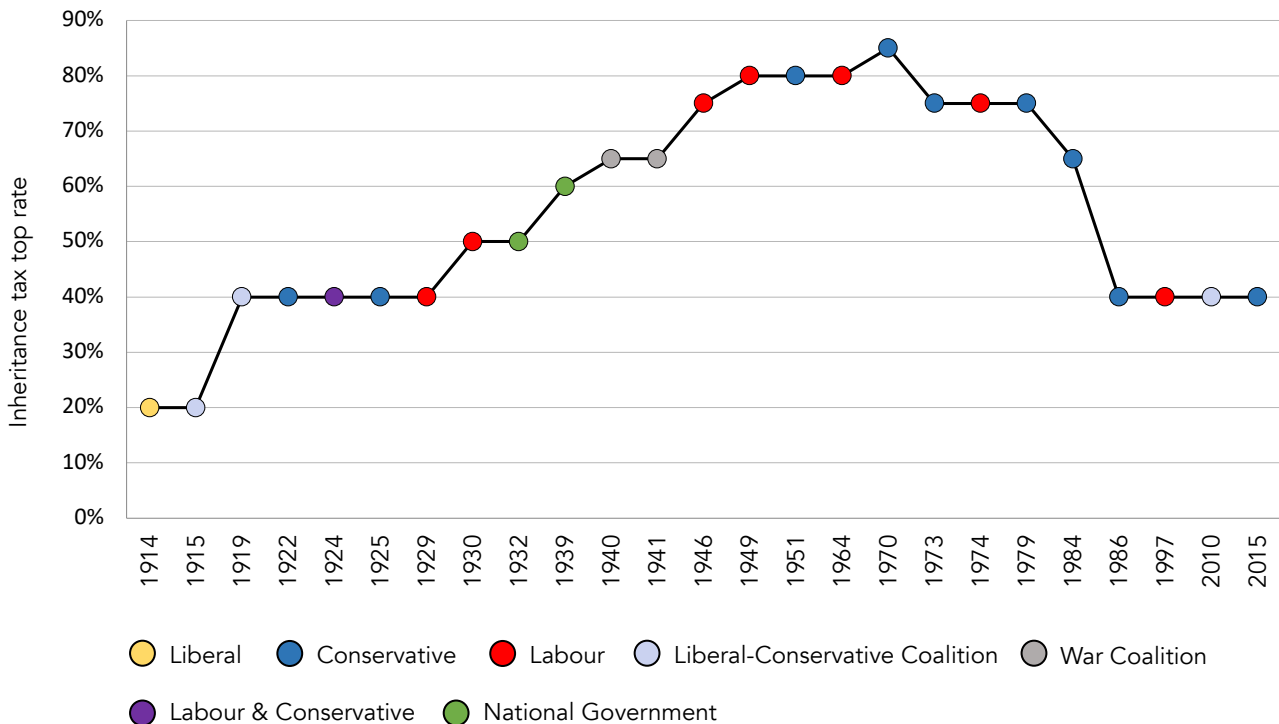
13 Q. Hogg, *The Conservative Case*, 1947 p.100

14 HMRC, *Scale of Estate Duty Rates*, accessed May 2023

concerns about punitive levels of taxation.<sup>15</sup> In 1986, Chancellor Dominic Lawson abolished the capital transfer tax and replaced it with inheritance tax which returned inheritance tax closer to the previous estate tax system. Interestingly, despite the relative unpopularity of taxing inheritance and the ideological push to reduce the tax burden, the Conservatives did not abolish inheritance tax but simply reformed it with a lower rate.

Post-Thatcher, the debate shifted away from reforming inheritance tax towards its abolition. During his leadership election campaign, John Major proposed scrapping inheritance tax and repeatedly stated that his preference was to work towards eliminating inheritance tax.<sup>16</sup> The economic situation did not allow for this pledge to be introduced and this promise did not feature in the Conservative Party's 1997 manifesto.<sup>17</sup> This is a noteworthy comparison to our present situation, where the Conservatives again face a significant deficit in the public finances. Throughout the early 2000s, the Conservatives continued to increase the threshold for paying inheritance tax in order to reduce the number of households affected by the tax.

**CHART 1**  
RATES OF INHERITANCE TAX SINCE 1914



SOURCE: HMRC & Atkinson, 2018

<sup>15</sup> Margaret Thatcher Foundation, Economy: 1986, accessed May 2023

<sup>16</sup> House of Commons Library, Inheritance Tax - Research Briefing, November 1995

<sup>17</sup> Conservative Party, You can only be sure with the Conservatives, 1997. <http://www.conservativemanifesto.com/1997/1997-conservative-manifesto.shtml>.

The defining moment for the Conservative Party on inheritance over the past twenty years was the announcement by George Osborne at the 2007 Conservative Party Conference to raise the inheritance tax threshold to £1m. The Conservative Party was in a difficult position electorally as new Prime Minister Gordon Brown saw Labour establish a significant 13% polling lead.<sup>18</sup> In response, the Conservatives deployed what David Cameron called a 'hammock idea' from George Osborne, raising the inheritance tax threshold to £1m - a significant increase from its £300,000 level.<sup>19</sup> The Conservatives ended the conference narrowing the gap with Labour and subsequently moving back into the lead. The post-conference analysis indicated that it was this policy that played a key role in building that polling lead and put Gordon Brown off calling an early general election.<sup>20</sup> This moment was important because it saw the Conservative Party come to associate inheritance tax policy as an effective 'retail offer' to the public, despite the relatively low number of households that paid the tax.

After winning the 2015 General Election the Conservatives made good their promise to increase the inheritance tax threshold to £1m through granting an additional transferable £175,000 allowance. In general terms, it seemed like the issue of inheritance tax was settled. However, recent months have seen inheritance tax return once again to the public eye. Former Prime Minister Liz Truss said that she would 'review' inheritance tax during her election to become Conservative Party Leader.<sup>21</sup> Treasury Minister, Andrew Griffith MP, said that he would like to see inheritance tax scrapped at Conservative Party Conference 2022.<sup>22</sup> Recent media reporting has indicated that the current Prime Minister, Rishi Sunak, could be looking at further cuts to inheritance tax ahead of the next election.<sup>23</sup> At the start of June 2023, fifty Conservative MPs launched a campaign to abolish inheritance tax, calling the tax 'morally wrong'.<sup>24</sup> All eyes have now turned to the upcoming Autumn Budget which could be the last full Budget ahead of the next General Election.

## ACCEPTANCE TO ABOLITION - CHANGING ATTITUDES TO INHERITANCE TAX

The first thing that this overview of Conservative Party on inheritance tax indicates is how changeable the party's policy on inheritance has been. Although the Conservative Party has always supported the idea of inheritance, it is only since the mid-1970s that Conservatives have sought to make reducing (or even abolishing) taxing inheritance core to their political identity. For large periods of its history, the Conservative Party was comfortable with a relatively large number of estates paying inheritance tax and generating significant revenues for the Exchequer. Oddly, as the salience of inheritance tax has risen in recent years its relative importance to the Exchequer has decreased. In the grand scheme of things, fewer people are paying tax on inheritance than they did a hundred years ago and it is generating a much lower proportion of the country's tax revenues than it did in the recent past. In 1911-12, shortly before the First World War, over 70,000 estates were eligible for inheritance tax.<sup>25</sup> By 2021-22, this has fallen to just over 20,000.<sup>26</sup>

The second is the changing nature of the arguments on inheritance policy. During the post-war period, significant concerns were raised by the *economic impact* of inheritance, particularly on family businesses and farms which were passed down through families. Estates Duty (a predecessor of Inheritance Tax) had included agricultural and business properties and there was concern that levying tax on these forms of inheritance were a disincentive to develop profitable businesses because they may need to be broken up to pay inheritance tax later.<sup>27</sup> However, this issue was dealt with through the creation of business relief for inheritance (introduced in 1976) and reduced rates on agricultural land. The present system means that business assets are not considered for inheritance tax if they are unlisted - covering most firms in the country. Farmland is also now free from inheritance tax. This means that large amounts of assets that bring considerable value to those that receive them are no longer considered for the purposes of inheritance tax.

18 BBC News, Poll Watch: Review of 2007, 21 December 2007

19 D. Cameron, For The Record, 2019 p.106

20 The Times, Tories' Inheritance Tax promise threatens to derail early election, 6 October 2007

21 The Daily Telegraph, 'Axe inheritance tax for good': How Liz Truss could overhaul death duties, 22 July 2022

22 The Guardian, I'd like inheritance tax to be abolished, says UK Treasury Minister 3 October 2022

23 Bloomberg, Rishi Sunak eyes inheritance tax cuts for election, 14 April 2023

24 The Times, 'Morally wrong' inheritance tax should be killed off, 50 MPs say, 1 June 2023

25 B. Mallet, British Budgets 1887-1888 to 1912-1913, 1913

26 HMRC, Inheritance Tax Statistics: commentary, 28 July 2022

27 M. Fletcher, Death and Taxes: Estate Duty - a neglected factor in changes to British business structure after World War Two, March 2021

The creation of reliefs of this kind saw the arguments in favour of cutting or abolishing inheritance tax shift away from the pragmatic economic consequences towards moral considerations. Those who have promoted the idea that we should abolish inheritance tax have focused on the idea that we should encourage wealth to pass through families, particularly housing. John Major's speech to Conservative Party Conference in 1991 summarises the arguments clearly.

*"In the 1980s we began a great revolution. Our aim was a life enriched by ownership, in which homes, shares and pensions were not something for others, but something for everyone ... But this revolution is still not complete. In the 1990s we must carry it further. We must extend savings and ownership in every form. And we now have the chance to make enduring change. For people in their middle years are inheriting houses, businesses, farms on a scale never before seen. The pioneers of the property-owning democracy are the parents of the capital-owning democracy. We Conservatives have always passed our values on, from generation to generation. I believe that personal property should follow the same course. I want to see wealth cascading down the generations. We do not see each generation starting out anew, with the past cut off and the future ignored. So, in the next Parliament I believe we must go much further in encouraging every family to save and to own. To extend every family's ability to pass on something to their children, to build up something of their own - for their own."<sup>28</sup>*

According to research by The Resolution Foundation, since 1980, the UK has on average had a lower saving rate than all other G7 countries in four of every five years.<sup>29</sup> Lower income families have particularly missed out on the opportunity to build up savings in recent decades. Share ownership has also not significantly expanded. Only 12% of the UK stock market is owned by UK individuals, this is lower than in 2014.<sup>30</sup> As the vision of a 'capital-owning democracy' has faded, Conservatives have further concentrated attention on housing.

The Conservative Party's 1992 Manifesto called inheritance tax an "erratic tax" on family homes.<sup>31</sup> As Major's speech and the manifesto show at the centre

of this shift has been the rising value of people's homes. According to the Land Registry, when John Major was making his speech in October 1991, the average property price was £57,435 - £116,381 in 2022 prices.<sup>32</sup> In December 2022, the average property price was £292,127 in 2022 prices. This is an increase of 151% over the course of thirty one years. This large increase in property prices has seen the Conservative Party's vision on inheritance narrow considerably, with most of the debate centering around the idea that inheritance tax is destroying the 'family home'. The Conservative Party's 2015 Manifesto promised to raise the inheritance tax threshold in order to "take the family home out of Inheritance Tax."<sup>33</sup> Prime Minister David Cameron made his promise to protect the 'family home' during the election campaign.

The significant increase in the inheritance tax threshold in 2015 to £1m, over three times the price of the average family home, has seen arguments around inheritance tax shift again. Under Prime Minister Liz Truss, arguments against inheritance tax pivoted to concerns about 'wealth creation' and the idea that taxing inheritance created a disincentive to take risks because the gains would later be taxed. Whilst this argument holds value if one accepts that individuals are only motivated by personal gain, this idea itself runs counter to the long held understanding of Conservatives about human nature. At its core, this understanding has believed that people are motivated by more than just financial gain but by ideas of love for family and duty to others.

Finally, it is important to note that views on inheritance tax have generally been shaped by the state of the public finances. In the initial period after the Second World War, Conservatives did not seek significant reductions in inheritance tax due to the state of the public finances. Reductions in inheritance tax did come, but only once public debt levels had fallen from one of their historic peaks. Similarly, in the 1990s, when there was a debate about the future of inheritance tax, the then Prime Minister John Major made clear that any abolition of inheritance tax was conditional on strong public finances. When significant changes to inheritance tax were next proposed, in 2007, the public finances were in a relatively stronger position and public debt had been falling considerably. The Conservatives also delayed changes to inheritance tax to 2015, after some progress had been made to reduce the deficit and put public debt onto a more sustainable

28 John Major Archive, Mr Major's 1991 Conservative Party Conference Speech - 11 October 1991, accessed June 2023

29 Resolution Foundation, ISA ISA Baby, January 2023

30 Office for National Statistics, Ownership of UK quoted shares: 2020, March 2022

31 Conservative Party, The Best Future for Britain, 1992

32 Land Registry, UK House Price Index, accessed 20 May 2023

33 Conservative Party, Strong Leadership, A Clear Economic Plan, A Brighter More Secure Future, 2015

footing. In general, Conservatives have seen a contribution to the public finances to the public finances as legitimate and necessary in order to ensure that future generations were not left with an unsustainable financial position.

## **DUTIFUL PARTNERSHIP NO MORE?**

The long story of Conservative policy on inheritance is the narrowing of the idea of inheritance itself, away from the ideas of duty and partnership between generations, as it was for politicians like Disraeli and Macmillan. The importance of duty led Conservatives to maintain higher levels of inheritance tax in the inter-war and post-war period because it was necessary to enable the provision of public goods and services for wider society. It also led Conservatives to avoid arguments around financial freedom, emphasising responsibility. This in turn influenced party policy which was driven by a belief that Conservatives would not be dutiful partners if they ran down the capacity of the state or failed to provide for public and social goods that future generations will depend upon.

The concept of duty has narrowed considerably since the 1970s and has now become focused on the individual and their family exclusively. Ironically, at the same time the Conservative Party developed fears that the rising size of the state would create a sense of dependency and reduce the room for individual responsibility, its thinking on inheritance has become dependent on a bigger role of the state. The 'duty principle' has become framed around duties only to family, rather than wider society, and the 'partnership principle' ignored. In both situations, it is the state that is assumed to pick up these responsibilities, at the same time as Conservatives have argued for inheritances to pay lower levels of taxation reducing the state's capacity to meet these growing responsibilities, particularly in health and care.

Conservatives have also stopped talking about the responsibility to consider the long term implications of individual actions. In the post-war period, Conservatives, alongside thinkers from a range of other political traditions, saw the importance of collective contribution to rebuilding the country after the shattering experience of the Second World War. This required long term investment in infrastructure and public services (particularly health and education) and in public assets. Rather than seeing taxation as a form of fulfilling duty, taxation has become seen as something to be avoided at all costs. This is particularly true in the rhetoric around taxing inheritance, where Conservatives now argue that paying tax on inheritance is not something to be

celebrated as a social contribution but as something that is 'morally wrong'.

Interestingly, the one exception to this trend was the brief moment in 2011, where the Conservative Party introduced a lower rate of inheritance tax for those that gave at least 10% of their estates away to charity.<sup>34</sup> This was part of the 'Big Society' vision that the Conservatives had promoted through the 2010 General Election. The Big Society was an attempt to rebalance Conservative philosophy away from a narrow economism towards an understanding of the value of community and relationships. At the core of this was repairing what was seen to be a fraying social fabric. For the first time, individuals were incentivised to give more of their money away on death through a lower rate of inheritance tax. As noted above, this idea is very strongly in line with conservative principles of duty and being a "dutiful partner". Rather than being the beginning of a process to incentivise the wealthiest to give away more of their income, whilst leaving something behind for loved ones, this policy announcement has never been taken forward and is hardly mentioned by Conservative politicians. Yet it is exactly the sort of policy that traditional Conservative values.

As we enter what Demos has called a 'New Age of Inheritance', how can Conservatives realign policy with their values and shape policy on inheritance?

34 HM Treasury, Budget 2011, March 2011

# CONSERVATIVES IN THE NEW AGE OF INHERITANCE

## INHERITANCE IS THRIVING, BUT NOT OPEN TO EVERYONE

Counterintuitively for a paper that is focused on the issue of inheritance, Conservatives should approach the 'New Age of Inheritance' in a relatively relaxed fashion.

Concerns of the post-war period that the growing size and financial footprint of the state would mean that people would become dependent upon the state and would not think about their duties to their families have not been borne out. As noted at the beginning of this paper, data from HMRC has identified nearly £100bn in inheritances being passed on in the UK in 2020.<sup>35</sup> Since 2000, there has been an increase in the value of inheritances passed on in the UK of over 60%. The relative value of inheritances has also increased. According to modelling by the IFS, a typical household led by people born in the 1960s is expected to inherit an amount throughout their life equivalent to four years of the average household earnings for that generation. For those born just twenty years later in the 1980s, they are expected to inherit an amount equivalent to eight years of average household earnings for their generation.<sup>36</sup>

Inheritance is thriving in Britain, not diminishing. Rather than being concerned that inheritances are under threat, Conservatives should be comfortable with the idea that wealth is passing, in ever larger amounts, through the generations. People still see it as their responsibility to take care of their families, if they can do so, once they have passed. In the vast majority of cases, due to significant increases in the inheritance tax thresholds, the 'family home' is

passed on to the next generation without paying tax. This significant increase in the value of inheritances is not just a temporary phenomenon. Over the next twenty years, the Resolution Foundation expects the value of inheritances to double. We will not see 'peak' inheritance until 2046.<sup>37</sup>

Although inheritance is thriving, it is not evenly distributed. Many people are unable to exercise their responsibilities to their family and wider society because they are unable to accumulate resources to pass onto future generations. This should be the biggest concern for Conservatives.

According to the IFS, one in ten people born in the 1960s are expected to inherit no more than £129. One in ten people born in the 1960s are expected to inherit no more than £1,000 throughout their lives.<sup>38</sup> For these people, the best way to help is to find ways to boost their earnings so that they are able to save and purchase assets that can be passed on to loved ones or given away to the wider community. The best way to promote inheritance is, therefore, not to focus on inheritance at all, trusting people's natural instincts. Instead Conservatives should look at the UK's structural economic problems that are preventing everyone from participating in the act of leaving an inheritance. Reductions in inheritance tax or its abolition will not *spread* inheritance throughout the country, as Conservatives would wish to see, it will simply make those already receiving inheritance better off than before.

35 Demos, The New Age of Inheritance, January 2023

36 Ibid.

37 Ibid.

38 Ibid.

## OUR CIVIC INHERITANCE IS AT RISK

Another area of concern is our *civic* inheritance, the duties we have to wider society and future generations. One way that we can look at this issue is the reduction in charitable giving by the richest in society. According to a study undertaken on behalf of the Law Family Commission on Civil Society, the richest 1% of earners reduced the value of their donations by 21% in real terms between 2011/12 and 2018/19, despite their income on average increasing by 10% in real terms during the same period.<sup>39</sup> The same research estimated that if the richest in society all gave 1% of their earnings to charities, that could be worth up to £1.4bn a year to UK charities. In 2007/08 the NCVO Civil Society Almanac, a central source of information on charitable finances, estimated that £2.7bn (2019/20 prices) was given to charity in legacies, donations generated from the sale of estates.<sup>40</sup> By 2019/20, this had risen to £3.7bn (2019/20 prices).<sup>41</sup> On the one hand, this increase in the value of legacies is a good news story. However, the £1bn increase in legacies is only a fraction of the £20bn increase in the value of inheritances reported to HMRC, which itself does not cover the total value of inheritances in the UK. Moreover, the Law Family Commission on Civil Society also found that the least wealthy are giving a higher proportion of their incomes to charity than the wealthiest.<sup>42</sup> This is likely to be true in inheritances as much as it is in charitable giving. Ever greater levels of wealth does not seem to be translating through to greater levels of charitable giving as Conservatives would hope, despite offering lower levels of inheritance tax for those that give away 10% of their estates to charitable institutions. Conservatives should be concerned that our civic inheritance is not thriving in the same way as personal inheritance appears to be.

A report by the IFS found that there was a £700m annual gap in cultural and leisure budgets in local authorities in England, resources which many museums, galleries and cultural institutions depend upon.<sup>43</sup> Arts organisations are also facing a £2.4bn funding gap, according to the Local Government Association.<sup>44</sup> A survey of 3,000 grassroots sports clubs and youth centres in England found that one in ten may have to close due to financial pressures.<sup>45</sup> These organisations, alongside many other charities,

social institutions and local assets are the inheritance that we will leave behind for future generations. Conservatives should be concerned about the fraying of our social fabric.

## THE LEGACY OF OUR PUBLIC FINANCES

The UK also faces a tough fiscal situation for the coming decade. At the time of writing, UK debt to GDP is at 101%.<sup>46</sup> Although this is lower than the rest of the G7, bar Germany, it is still a significant legacy to leave behind to future generations and the highest levels since the 1960s - a period which saw relatively high levels of inheritance tax.<sup>47</sup> At the same time, the Exchequer is still in need of revenue. The Office for Budget Responsibility estimates that even by 2027-28, the UK will have a £49bn budget deficit, with £96bn a year spent on debt interest payments.<sup>48</sup> The public finances are another form of civic inheritance that Conservatives should consider.

For most of the nineteenth century and early twentieth century, inheritance taxes were a significant part of UK tax revenue, with wealth helping to reduce the need for higher taxes on earned income and other productive sources. According to Mallet's analysis of government taxation in 1913, 9% of tax revenues were from death duties, a predecessor to inheritance tax.<sup>49</sup> This compares to this current financial year where 0.6% of revenues came from inheritance tax.<sup>50</sup> Although the relative share of revenues from inheritance tax has fallen due to the reduction in wealth inequality and growth in other sources of tax revenue over the past century, Conservatives have maintained a role for inheritances in contributing tax revenues for over a century and a half. As noted above, reductions or changes to inheritance taxation have been linked to relative improvements in the state's financial position. In the 1990s, the last time when a senior Conservative figure proposed to abolish inheritance tax, that promise was made conditional on a strong position for the public finances. At a time when the UK faces the highest level of debt since the 1960s and future generations are at risk of inheriting a significant level of public debt, it would be out of character for Conservatives to reduce or eliminate the contribution of inheritance taxes to the Exchequer.

39 Pro Bono Economics, *Minding the Gap*, December 2021

40 National Council for Voluntary Organisations, *The UK Civil Society Almanac 2010*, October 2010

41 National Council for Voluntary Organisations, *UK Civil Society Almanac 2022*, 18 October 2022

42 Pro Bono Economics, *Minding the Gap*, December 2021

43 Museum Association, *English councils predict £700m gap in cultural and leisure budgets*, 21 August 2020

44 Local Government Association, *Cornerstones of Culture*, November 2022

45 *The Guardian*, *Cold swimming pools and youth clubs closing - tale of two sporting Britains shames us all*, 27 February 2023

46 Office for National Statistics, *UK Government Debt and Deficit*, December 2022

47 Office for National Statistics, *Public Sector Finances, UK*, April 2023

48 Office for Budget Responsibility, *Economic and Fiscal Outlook*, March 2023

49 B. Mallet, *British Budgets 1887-1888 to 1912-1913*, 1913

50 House of Commons Library, *Tax statistics: an overview*, 5 June 2023



## **CUTTING OR ABOLISHING INHERITANCE TAX IS NO ELECTORAL SILVER BULLET**

Politically, Conservatives in recent years have been attracted to the unpopularity of inheritance tax. Demos' own research has found that when initially asked, over half of people (55%) say that inheritances should always be tax free.<sup>51</sup> A survey by Opinium on behalf of Hargreaves Lansdown published in October 2021 found that inheritance tax was the 'most hated' levy in the UK.<sup>52</sup> This has led some in the Conservative Party to see campaigning against inheritance tax as a politically smart move. This is combined with the legacy of George Osborne's 2007 inheritance tax announcement which it is believed helped to dissuade Gordon Brown from an early election and a potential defeat at the polls.

However, behind this superficial understanding of public attitudes the situation is more complex. Even the idea that inheritance tax is Britain's most hated tax requires context. Whilst it is true that Opinium's research found that 24% of people stated inheritance tax as their most hated tax, income tax was a relatively short distance behind with 17%.<sup>53</sup> Similarly, when Demos asked the public about specific amounts of inheritance that should be tax free, only one-fifth (21%) said that all inheritances should be tax free.<sup>54</sup> Conservatives were just as likely to say that some amount of inheritance should be taxed.<sup>55</sup> Conservative voters are not substantially different to the rest of the country on this principle. Moreover, when asked to set the threshold for where inheritance tax should be paid, the median response was close to the current levels of taxation.<sup>56</sup>

The point is that taxes are always unpopular. Even income tax, a core feature of the UK tax system that will never be abolished, is 'hated' by a significant portion of the public. However, there is a recognition that taxes need to be paid in order to pay for public services and as our duty to our fellow citizens. When people are asked to consider the specifics of inheritance tax, they recognise that those with the most resources should be contributing to society in proportion to their means.

The public are also aware that given the financial environment a cut to inheritance tax, or even its abolition, will simply mean that revenues will have to be raised somewhere else. This came through repeatedly in the focus groups that will feature in upcoming Demos research on the public's attitudes towards taxing inheritances. This trade off takes us

back to the beginning of the Conservative Party's relationship with inheritance taxation back in the nineteenth century. When Gladstone introduced 'Succession Duty', a predecessor tax on inheritances, Disraeli's concern was that this money should be used to relieve the burden of income tax, prioritising earned income over wealth. It would be peculiar if the modern Conservative Party was to propose reductions in wealth taxation that would increase the burden of taxation on earned income that its nineteenth century leadership opposed.

Given the fiscal situation and the concerns about our fraying social fabric, cutting or abolishing inheritance tax and giving billions of pounds to the richest in society is unlikely to play well with the electorate. Superficial dislike for inheritance tax does not mean that cutting it is an electoral silver bullet.

51 Demos, The Inheritance Tax Puzzle - Challenging assumptions about public attitudes to inheritance, June 2023

52 Thisismoney.co.uk, Inheritance tax is named Britain's most hated levy because of 'ideological resentment' and that's despite only 4% of people paying it, 26 October 2021

53 Ibid.

54 Demos, The Inheritance Tax Puzzle - Challenging assumptions about public attitudes to inheritance, June 2023

55 Ibid.

56 Ibid.

# REPAIRING OUR SOCIAL AND CIVIC FOUNDATIONS

As a General Election approaches, Conservatives will be rightly considering what their policy offer on inheritance will be. If cutting or abolishing inheritance tax is not the right solution, what should Conservatives be thinking about?

## HELPING PEOPLE LOOK AFTER THEIR FAMILIES

Responsibility is at the heart of conservatism. Conservatives have always sought to help people who want to provide for their families and loved ones, in particular the most vulnerable. Prioritising these groups is at the core of practical conservatism.

There are over 30,000 children with severe learning disabilities or profound multiple learning disabilities according to Public Health England.<sup>57</sup> Levels of employment for this group are particularly low, with Public Health England's latest estimate that 6% of working age adults with learning disabilities are in paid or self employment.<sup>58</sup> Although Conservatives should continue efforts to help more people with disabilities find work, in practice, it is likely that many of those with learning disabilities will be able to find work that enables them to live without external financial support. As a consequence, many parents will seek to provide money for their children who have severe or profound multiple learning disabilities so that they have additional financial support beyond the social security system. This money can be used to pay for extracurricular activities, clothing or other things that they need to ensure a high quality of life. As people are living longer, the money needed to provide for vulnerable people is increasing. For example, even to leave £15,000 a year (£1,250 a month) behind for thirty years would require a legacy

of £450,000 - above the current inheritance tax threshold. This can be tax efficiently done through purchasing a property and using the expanded inheritance tax relief for a family home, however, this may not be appropriate for everyone and carries risk when changing property prices.

Many families use Disabled Trusts to leave something behind for loved ones, but trust rules are complex and leaving an inheritance behind can reduce means tested benefits, leaving the individual receiving the inheritance not significantly better off than if nothing had been put aside. They may also need capital gains tax or income tax on money they receive or if there are any gains in value for the property they have received as part of the trust.

Taking responsibility for loved ones and seeking to leave something behind for those that need it is something that Conservatives should instinctively encourage.

Conservatives should consider targeted generous tax reliefs and thresholds for those that leave on inheritances to look after vulnerable relatives, so that they can enjoy a decent quality of life. More than that, Conservatives should consider enhanced tax incentives to encourage individuals to leave aside money for their children and relatives that may need it due to disabilities or ill health. This could involve, for example, a higher allowance Individual Savings Account (ISA) and tax credits for those that are saving for children that have severe or profound learning disabilities or other life-affecting disabilities. Crucially, Conservatives should say that inheritances from relatives should not be taken into account for the purposes of means testing, which removes incentives for families to build up savings or assets to

57 Public Health England, People with learning disabilities in England - Chapter 1: Education and Social Care, January 2020

58 Public Health England, People with learning disabilities in England - Chapter 2: Employment, January 2020

pass on. Targeting support for inheritance at those families that most need to pass on resources through generations should be central to a Conservative vision of inheritance.

## LEAVING A LEGACY FOR FUTURE GENERATIONS

A theme in this paper is the need to preserve not just familial inheritance but our wider responsibilities to society and future generations. The Conservative Party's decision to reduce inheritance tax for those that give more than 10% of their estate value to charity was a recognition of the importance of this inheritance, but the data on whether this is leading to significant increases in giving is mixed. The latest statistics from HMRC have found that the value of exempted transfers to qualifying charities was £1.6bn, only £100m higher than 2010/2011 before the charitable tax relief was introduced.<sup>59</sup> Although the tax relief remains an important signal to the marketplace, Conservatives should consider other methods to encourage those with the means to do so to provide for wider society and future generations.

One method, building on behavioural insights and the power of 'nudge', could be to create a 'National Legacy Fund'. This would be a charitable trust to preserve the social, cultural and civic institutions of the UK. Upon death, estates that qualify for inheritance tax and that have not left money to charitable institutions would be asked to contribute 5% of the estate value to this National Legacy Fund. As this would be a charitable donation, it would be tax free. This would be a prompt or reminder to those that may have, for various reasons, forgotten or been unable to think about using their inheritance to support good causes. All those that contributed to the fund would be thanked and invited to an annual celebration event to thank them for their contribution alongside the families of others who have left legacies for charitable causes. Depending on the take up, this could raise hundreds of millions a year that could help to grow and maintain the social, cultural and civic organisations so that future generations can enjoy them. Importantly, a public fund of this kind would be a strong signal to society about the values that we wish to promote. This funding would be foundational in its approach, looking at investing in the social, civic and cultural infrastructure of communities.

This approach has a double benefit in that these institutions also create spaces for us to encourage the *immaterial* inheritance. Creating new memories, generating new experiences and sharing knowledge,

hobbies, rituals throughout generations require institutions that can be home for them. Our football clubs, parks, beaches, museums and galleries need to be preserved for future generations if we want to encourage inheritance in its broadest sense.

## MAKING THE POSITIVE CASE FOR INHERITANCE TAX

Inheritance tax is an unpopular tax. However, Demos' research has found that there are a number of reasons for this beyond the obvious point that people do not like the idea of paying a tax once they have died. During our research focus groups, due to be published shortly, we found that people's dislike for inheritance tax was linked to a lack of transparency about what inheritance tax is spent on and concern that it would be wasted.<sup>60</sup> Focus group participants were more positive of inheritance tax if they knew where the money was going and the impact that it had. The personal nature of inheritance means that people want a deeper connection between the money they contribute through inheritance tax and where it is going.

Although hypothecation is resisted by HM Treasury, there is a strong case for it when it comes to inheritance tax, particularly where the continued unpopularity is putting £7bn in revenue at risk at a time when the state needs revenue. Hypothecation can come in different forms. A 'soft' hypothecation could be put forward, for example, a principle to use the money raised through inheritance tax to invest for the long term benefit of future generations. However, a 'hard' hypothecation option could be to consider redesignating this as a 'Future Generations Levy' and tying the money raised to specific projects such as housing development, apprenticeships and university scholarships for those from deprived backgrounds and major infrastructure projects that will be capacity enhancing, creating significant long term benefit for future generations. Although inheritance tax receipts are lumpy, there could be ways to smooth out investment over the medium-term cycle so that one-off increases (or decreases) in revenue did not negatively impact on the delivery of programmes. A levy fund of this could create opportunities for greater levels of public participation, bringing citizens directly into the process of setting priorities, for example through a Citizen's Jury or Assembly to get wider buy-in from society and to maintain public confidence.

The Chancellor (or Treasury Minister) could report to Parliament annually on the projects funded thanks to the tax paid on inheritances, showing the positive impact that this tax has had and the specific, long

<sup>59</sup> HMRC, Inheritance Tax Statistics: commentary, 28 July 2022

<sup>60</sup> Demos, The Inheritance Tax Puzzle - Challenging assumptions about public attitudes to inheritance, June 2023

term nature of its impact. At the core of these changes is the need for Conservatives to make the case for how taxing inheritance is part of the positive vision for how people contribute to wider society and future generations. This will also require sharing power with people and creative approaches beyond normal tax development policy, the alternative is the steady erosion of the principle of tax on inheritance.

## **EXPANDING THE OPPORTUNITY TO PARTICIPATE IN INHERITANCE**

Inheritance is growing, but as Demos' work shows, it is unequal. Those in the South of England are able to leave behind more than those in the North.<sup>61</sup> Those from ethnic minorities are also likely to receive less than the rest of the population.<sup>62</sup>

This is not due to a lack of effort. Conservatives should trust that people where they have the means to do so they are likely to wish to leave an inheritance behind.

Rather than worrying about those *with* the means to leave an inheritance and reducing the tax burden for them, Conservatives should be looking to *expand* the number of people that are able to benefit from an inheritance so that everyone has a chance to leave something behind, as well as focusing on increasing the amounts that the poorest in society receive. In this context, there is no obvious 'inheritance tax' solution to this. The best way to expand inheritance is to increase earnings and household incomes as well as building affordable homes that people can pass through to their descendents. The only way to boost inheritance is to look at policies that go *beyond* inheritance tax, for example, reducing income tax for those on lower incomes or policies to boost wages so that they are able to save money for the future.

However, Conservatives should determine the success of inheritance by giving as many people as possible the chance to pass something onto future generations and spread the benefits to as many people and communities as possible.

61 Demos, The Inheritance Tax Puzzle - Challenging assumptions about public attitudes to inheritance, June 2023

62 Ibid.

# CONCLUSION

Conservatives need to rediscover the purpose of inheritance.

Duty to family and loved ones is important, but it is not the only duty that Conservatives believe in.

Conservatives believe that we need to consider our duty to the wider community and the country as a whole. We need to consider our responsibilities to future generations and deploy our resources in a way that maximises the benefit to them. Conservatives need to be champions of citizens as 'dutiful partners', taking responsibility for themselves and their families but also caring for their communities, the country and future generations. Only then can Conservatives' vision of society as a contract between the living, those who have passed and those yet to be born be brought to fruition.

A policy to scrap or reduce inheritance tax will not create the future that Conservatives have traditionally wished to see. Although there appear to be electoral benefits from scrapping or cutting inheritance tax, these are more complex than they appear.

Conservatives will never stop promoting inheritance, the idea of inheritance will forever be imprinted on the Conservative mind. However, there needs to be a rebalancing away from focusing on freedom as a good in itself towards thinking about the duties and responsibilities we have to those around us and those that come after us.

This paper demonstrates that there is a positive case to be made for inheritance, a genuinely Conservative case. There are also policy options and alternatives out there for Conservatives that want to see inheritance used to build a stronger society.

As we enter the 'New Age of Inheritance', Conservatives need to rediscover their confidence and draw on a much longer, deeper intellectual inheritance.

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At a crossroads in Britain's history, we need ideas for renewal, reconnection and the restoration of hope. Challenges from populism to climate change remain unsolved, and a technological revolution dawns, but the centre of politics has been intellectually paralysed. Demos will change that. We can counter the impossible promises of the political extremes, and challenge despair – by bringing to life an aspirational narrative about the future of Britain that is rooted in the hopes and ambitions of people from across our country.

Demos is an independent, educational charity, registered in England and Wales. (Charity Registration no. 1042046)

Find out more at [www.demos.co.uk](http://www.demos.co.uk)



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