

Inheritance tax needs to go - but to be replaced by muc...

Published: January 13, 2026, 11:04 am

The [Independent](#) has reported that Sajid Javid has sympathy with a long held Conservative Party desire to abolish Inheritance Tax.

I understand his desire. Inheritance Tax has long outlived its usefulness. But, I would replace it with an effective tax system on wealth and not simply provide the annual give away of more than £5 billion to those who, by definition, are already wealthy that abolition would result in.

Let me go back to basics. Inheritance tax, which was previously called Capital Transfer Tax, which had in turn replaced a tax with a very long history called Estate Duty in the 1970s, has the goal of taxing wealth at the time of a person's death. At this point in time it can generally be suggested that a person has no further use for their worldly possessions: the aim was then to make such a tax as uncontentious as possible. The aim haws apparently failed: according to our Chancellor this is our most hated tax, but that might say more about who he talks to than provide evidence that this is actually the case.

The object of the tax is indisputably to be a wealth tax. In this it very largely fails. Gifts made seven years before death are ignored, and the most wealthy are those most likely to be able to make these. There are also exceptionally generous reliefs for agricultural and business property, both of which are most likely to be owned by the most wealthy. Historically trusts and other arrangements, many of them still in existence, also significantly reduced the scope of the tax. As a wealth tax it is a failure.

So what can be done, assuming that we need to tax wealth - which all the evidence of growing wealth inequality suggests that we should - with which suggestion the IMF and OECD would agree?

My suggestions are fourfold. First, we need effective measures to tax the income derived from wealth. I have proposed a range of such measures, [here](#).

Second, given that by far the largest part of wealth passed on death is private housing,

the most effective way to bring this portion of wealth into tax on death is to charge capital gains tax at that time. This charge would be based on value at sale time less cumulative life time costs of acquiring property ignoring transaction costs. Provision would be needed to cover sale before death and the charge would have to apply to the second death in couples, with safeguards for genuine long term careers, but this one change would achieve the goal of taxing much of the wealth that is of concern.

Third, a capital gains tax charge on other assets passed at death, including agricultural and business property would achieve most of the rest of this goal. Again, anti-avoidance rules would be required.

But fourth, and most importantly, we must instead of having an Inheritance Tax look at taxing the receipt of gifts during life. It is absurd that we charge wealth to tax only at the time of death, and irrespective of how many people it is shared between. Our goal should be to reduce wealth inequality. In that case the aim should be to encourage assets to be shared as widely as possible and that means people should be charged to tax on their cumulative inheritances received, and not the gifts that they make. Such a transition will take time to design, plan and introduce and the first three points noted above could address many of the problems in inheritance tax in the meantime, and make it more equitable. But ultimately the idea that death is the only time that we tax wealth is wrong and the tax system has to reflect that.

We need real reform on inheritance tax. I doubt the Chancellor has those reforms that we really need in mind. Those who might seek to replace him should consider the issue in that case.