

Why are the Tories obsessed with inheritance tax?

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There is something quite extraordinary about the Conservative Party apparently deciding that cutting inheritance tax should be a centrepiece of its attempt to recover its electoral fortunes.

Politico [reports this morning](#) that inheritance tax is expected to be a major focus of Kemi Badenoch's speech to the Conservative Party conference. The Times and Telegraph both suggest she might either cut the 40 per cent headline rate or raise the threshold at which inheritance tax becomes payable.

If that is true, it tells us a great deal about the modern Conservative Party. Unfortunately for the Conservatives, almost none of it is good.

Inheritance tax is simply not a significant concern for the overwhelming majority of people in the UK. According [to the latest HMRC data](#), just 4.72 per cent of UK deaths resulted in an inheritance tax charge in 2023–24. In other words, fewer than one estate in twenty paid the tax.

That fact matters because it puts the Conservative proposal into perspective. Young people struggling to find secure employment are not worrying about inheritance tax. People who cannot afford their rent, or who despair of ever being able to buy a home, are not worrying about inheritance tax. Nor are those relying on food banks, struggling with energy bills, or wondering whether their income will last until the end of the month.

Inheritance tax is instead an issue of considerable importance to a relatively small group of people who have accumulated substantial wealth and who would like to pass as much of it as possible to the next generation without making any further contribution to the society that has assisted the creation of their good fortune. There is nothing surprising about that: greed is as old as the hills, and most in the Tory party. There is, however, something very surprising about a political party now apparently believing that satisfying this desire should be one of its flagship policies for winning a general election.

That comment needs contextualisation. The current standard inheritance tax rate is 40 per cent, but that rate is only charged on the taxable part of an estate above the available allowances. The basic nil-rate band is £325,000, and the residence nil-rate band can add another £175,000 in appropriate circumstances. Unused allowances can also be transferred between spouses and civil partners. In many cases, this means up to £1 million can now be passed on tax-free.

As a result, the headline rate gives a deeply misleading impression of the tax actually paid. HMRC says that even among those estates that did pay inheritance tax in 2023-24, the average effective tax rate was just 13 per cent.

So what exactly is the national inheritance tax crisis that Kemi Badenoch is seeking to solve? In blunt terms, there isn't one. There is instead a political obsession amongst a relatively wealthy minority, amplified by parts of the media and by politicians who appear to spend rather too much time talking to people who look remarkably like themselves.

That is what makes this proposal politically revealing. Britain has profound economic problems. We have a housing crisis, failing public services and people unable to see a GP or dentist. Younger generations face extraordinarily high housing costs. Millions of people suffer economic insecurity. Real wages have stagnated, investment is inadequate, and enormous inequalities in both income and wealth persist.

Faced with all that, the Conservative Party appears to have looked around Britain and concluded that one of the most pressing problems requiring its attention is the tax bill faced by fewer than one in twenty estates. That is not serious politics. It is the politics of a party that has lost touch with the country it wishes to govern.

There is another issue here as well. Inheritance is, by definition, unearned by the person receiving it. No one chooses the family into which they are born. No one works to acquire an inheritance before receiving it. Inherited wealth is the consequence of circumstances over which the recipient had no control. At the same time, millions of people who work for everything they have are taxed on the incomes they earn. The Conservatives apparently think that reducing the taxation of inherited wealth should take priority.

That says something important about their conception of society. They remain deeply concerned with preserving accumulated private wealth and its transmission between generations. They appear much less concerned with creating the conditions in which those without inherited wealth might thrive.

A political party seeking government should be asking what prevents people from living secure, fulfilling lives and what government can do about those obstacles. It should be thinking about housing, employment, healthcare, education, social care, climate change, inequality and the provision of the infrastructure on which everyone depends.

Instead, the Conservatives appear to be asking how they can make already substantial inheritances larger.

That might appeal to some of their remaining supporters. It might please some newspaper proprietors and columnists. It might even win back some affluent voters who have deserted them. But it does not amount to a programme for government.

The real significance of this proposal is therefore not inheritance tax itself. It is possible for reasonable people to debate its design, its allowances and the reliefs that should apply. That may be a minority sport, but I am not saying it is beyond the boundaries of sensible tax debate. The important question is not that, but what the choice of inheritance tax as a flagship political concern tells us about the Conservative Party.

It tells us who they are thinking about, whose anxieties they hear and, most importantly, about the enormous number of people whose anxieties they apparently do not hear at all. A party that thinks inheritance tax is one of Britain's great political problems has ceased to understand the problems facing most people in Britain.

That is why this proposal will not restore the Conservative Party to its former position. It might instead help explain why it has become a fringe party and why, unless it begins listening to the concerns of the great majority rather than the wealthy few, it is likely to remain one.