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INHERITANCE TAX & SOCIAL CARE FUNDING

The 10% Death Tax: What We Actually Know

A factual briefing on the reported plan to replace Inheritance Tax with a flat levy on estates, and what it would mean for client conversations.

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The 10% Death Tax: What We Actually Know

TOPIC	Reported plan for a flat 10% levy on all estates at death, potentially replacing Inheritance Tax, to help fund a new National Care Service
STATUS	Speculation only. No consultation, legislation or Budget announcement has been made
CURRENT IHT REGIME	Unchanged for now. 40% above the nil rate bands
AUDIENCE	IFA firms and financial planners
PREPARED FOR	Money Wise UK network

On 28 July 2026, Prime Minister Andy Burnham failed to rule out a 10% flat levy on all estates at death. The proposal is one option being discussed to fund a new National Care Service, which the government has estimated could cost up to £18.7 billion a year.

Headline for IFA firms: nothing in current Inheritance Tax law has changed. What has changed is the political weather, and that alone is a reason to revisit client plans that assume today's IHT rules will stay as they are.

1. What has actually been said

Asked directly whether the Prime Minister still supported a 10% levy on all estates, his official spokesperson said only that he was not going to get ahead of a promised update on social care due later that week. Work and Pensions Secretary Pat McFadden was asked the same question on Sky News and also declined to rule it out, saying the announcement would come in Burnham's own speech.

Separately, Downing Street told journalists there were no plans for a blanket 10% levy, and that fixing social care will require building a broad consensus, with any funding mechanism likely to be confirmed closer to a future Budget. The two positions, a spokesperson declining to rule it out and a formal no plans line, were both given in the same week and have not yet been reconciled publicly.

Opposition reaction was swift. Shadow Chancellor Mel Stride said Britain cannot afford another Labour tax rise and accused the Prime Minister of targeting people who worked, saved and invested to leave a legacy for their children. Reform UK leader Nigel Farage called it a tax that would disproportionately hit those who earned modestly but saved hard.

2. This is not a new idea

The proposal has a long history and has surfaced, then been shelved, at least four times since 2010.

- **2010.** As Health Secretary under Gordon Brown, Burnham proposed a compulsory 10% care levy on all estates. The Conservatives attacked it with poster campaigns branding it a death tax, and it did not survive the change of government.
- **2016 to 2017.** Reports emerged that the Cabinet Office was looking at a similar compulsory levy to fund a social care cap. The Conservatives were accused of hypocrisy for considering the idea they had attacked Labour for in 2010. Downing Street said at the time it was not under consideration.
- **2021.** As Mayor of Greater Manchester, Burnham proposed a National Care Service funded partly by a 10% additional inheritance tax. This was reportedly rejected by Keir Starmer's team in favour of a different approach.
- **2026.** As Prime Minister, Burnham has again raised the idea, telling the Guardian during his by-election campaign in June that he would look at all of the implications of inheritance tax and care funding.

> *The pattern is consistent. The proposal keeps returning because the underlying funding gap for social care has not been solved by any government since 2010, not because a specific plan has ever been agreed and legislated.*

3. What the current rules actually say

It is worth restating the baseline, since most of the public debate compares the new idea to a rough mental model of Inheritance Tax rather than the real rules.

- Inheritance Tax is charged at 40% on the value of an estate above the nil rate band.
- The nil rate band is £325,000 per person, frozen since April 2009.
- A residence nil rate band of £175,000 is available where a main home passes to direct descendants, subject to taper for larger estates.
- Married couples and civil partners can combine unused allowances, giving up to £1 million tax free for a couple leaving a home to children.
- From 6 April 2026, Agricultural Property Relief and Business Property Relief were restricted to a combined £2.5 million allowance at 100% relief, with 50% relief above that, an effective 20% rate.
- From 6 April 2027, unused defined contribution pensions are due to be brought into the estate for Inheritance Tax purposes for the first time.
- Around 4 to 5% of UK estates currently pay any Inheritance Tax at all.

4. What a flat 10% levy could mean

No official costing or design has been published. The following is based on how tax advisers have modelled the proposal using the limited detail available, working from the assumption that it would replace Inheritance Tax with a flat 10% charge on estates at death.

The break even point

On this modelling, a married couple leaving a home to their children would be worse off under a flat 10% levy than under the current system until their combined estate reached roughly £1.35 million. Above that point the flat rate works out cheaper, meaning wealthier estates would gain and more modest estates would lose out.

Gross versus net estate value

There is a suggestion the levy could apply to the gross value of an estate rather than the net value after debts. If so, someone with a £500,000 property and a £400,000 mortgage would face a £50,000 charge under the flat levy, versus a maximum £40,000 under current Inheritance Tax rules on the same figures. This would tend to hit people who took on debt to buy a home rather than those who used debt as a deliberate tax planning strategy.

Farms and small businesses

There is no confirmation that Agricultural or Business Property Relief would survive in any form. If those reliefs were withdrawn entirely, a farm or business currently sheltered by the post April 2026 £2.5 million allowance could move from paying no Inheritance Tax to a bill of up to £250,000, or £500,000 for a couple, under a flat 10% charge. Only the largest farms and businesses, those worth upwards of roughly £10 million as a couple on current modelling, would come out ahead.

Gifting rules

Nothing has been said publicly about whether the seven year rule on lifetime gifts would continue in any form. This is a significant unknown, since gifting is one of the most widely used and long standing planning tools around Inheritance Tax.

> *All figures in this section are third party modelling based on an incomplete proposal, not government figures. They illustrate the shape of the debate rather than a confirmed outcome, and should be treated accordingly with clients.*

5. What we still do not know

- Whether the levy would replace Inheritance Tax entirely, sit alongside it, or apply only to fund social care specifically.
- Whether any nil rate band, residence relief, or spousal exemption would be retained.
- Whether Agricultural and Business Property Relief would continue in any form.
- Whether the charge would apply to gross or net estate values.
- Whether lifetime gifting rules would change.
- The timetable. Burnham has said reform of social care funding will take time, and government sources have pointed to a future Budget rather than an imminent announcement.

6. What this means for client conversations now

Nothing in current Inheritance Tax law has changed as a result of this story. The right response is measured, not reactive.

1. **Hold the line on advice.** There is no basis yet for clients to change wills, gifting plans or trust structures in response to a proposal with no confirmed design.
2. **Review against what is confirmed.** This is a good moment to revisit estate plans against changes already in force or scheduled, the April 2026 relief restriction and the April 2027 pension changes, rather than the unconfirmed 10% idea.
3. **Flag the most exposed clients.** Clients who rely heavily on debt secured property or business and agricultural reliefs are the group most exposed if the more extreme versions of this proposal were ever adopted, so they are worth reviewing regardless of what happens next.
4. **Prepare for more noise.** Expect continued speculation until the government's promised update on social care funding, and again ahead of the next Budget. Advisers should be ready to separate confirmed policy from ongoing political comment.

SUGGESTED ACTION POINT

Before any further government announcement, firms should identify clients whose estate plans lean heavily on debt structuring, Agricultural or Business Property Relief, or large gifting programmes. The key question is simple: how exposed would this client be if the most extreme version of this proposal became policy, and does that change what we do today?

Sources

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Daily Mail and Daily Telegraph archive reporting, 2016 to 2021, via Pressreader.

HMRC Inheritance Tax rules and Finance Act 2026, Agricultural and Business Property Relief changes.

This briefing reflects the position as reported and is provided for professional adviser use within the Money Wise UK network. It is not advice to any individual client and does not remove the need to review guidance updates through the rest of 2026 and into next year's Budget.