INSIGHT FOR FINANCIAL PLANNING FIRMS

A Money Wise UK White Paper

Tax Under a New Labour Government

CUTTING THROUGH THE RUMOURS: WHAT A CHANGE OF LEADERSHIP COULD MEAN FOR TAX, PENSIONS AND FINANCIAL PLANNING

CAPITAL GAINS TAX · INHERITANCE TAX · STATE PENSION · MONEY-WISE.UK

EXECUTIVE SUMMARY

Rumours, not policy, but worth understanding

Keir Starmer has announced his resignation as Prime Minister. Andy Burnham is the clear frontrunner, and possibly the only candidate, to replace him. Cue a wave of commentary about tax raids, wealth grabs and pension cuts. That is not confirmed policy, and much of it may never happen.

What is true is that Mr Burnham has been consistent about one thing: he believes the UK taxes work too heavily and wealth too lightly. Combined with a manifesto pledge not to raise income tax, VAT or National Insurance, that view points toward change being channelled through capital gains, inheritance tax, property and pensions instead.

This paper sets out the main themes being discussed around a change of leadership, what is background and what is rumour, and what the direction of travel could mean for retirement and investment planning conversations.

> ***Financial planning conversations built around today's rules should stay flexible enough to absorb tomorrow's, whatever they turn out to be.***

BACKGROUND

Why tax is back in the headlines

Following Keir Starmer's announcement that he would step down as Prime Minister, Andy Burnham, the former Mayor of Greater Manchester, has emerged as the clear frontrunner to succeed him. Having returned to Parliament via a by-election, Mr Burnham is, at the time of writing, the only declared candidate for the Labour leadership, with nominations closing in mid-July 2026. Should no challenger come forward, he could take office within weeks.

> ***Mr Burnham has repeatedly argued that the UK's tax system leans too heavily on income from work and too lightly on wealth and assets, a view that has shaped much of the speculation around his likely tax agenda.***
>
> — reported comments attributed to Andy Burnham

A change of leader naturally brings a change of tone. At the same time, he has said he intends to honour Labour's 2024 manifesto commitment not to raise the headline rates of income tax, VAT or employee National Insurance, and to stick broadly to existing fiscal borrowing rules.

Taken together, this points toward reform being channelled through capital gains, inheritance tax, property and pensions rather than income tax rates themselves. Several ideas have been floated publicly by Mr Burnham, and others attributed to advisers reportedly shaping his economic thinking. None of it is settled, and much of it may not survive contact with the Budget process.

ISSUE 1

Capital Gains Tax

The background

The annual exempt amount for capital gains tax has been cut sharply in recent years, from £12,300 down to £3,000, meaning far more investors now have some CGT to consider when they sell assets outside a tax-efficient wrapper. The main rates were also increased in October 2024, taking the higher rate to 24%.

What is being discussed

There is continued speculation that CGT rates could be brought closer to income tax rates, an idea reportedly supported by senior figures close to Mr Burnham, including Health Secretary Wes Streeting and former minister Louise Haigh, who has been closely involved in shaping his domestic policy agenda. Separately, there is talk of removing the CGT "uplift" that currently resets an asset's value on death, meaning beneficiaries would inherit the original purchase price rather than the value at death, creating a larger taxable gain when the asset is eventually sold.

Money Wise UK thoughts

With the CGT allowance already much reduced, further alignment with income tax rates would be a natural next step for a government looking to raise revenue from wealth rather than work. If the uplift on death were also removed, some beneficiaries could face both inheritance tax and capital gains tax on the same property. For clients holding significant unwrapped investments or a second property, the timing of any future disposal, and the ownership structure of inherited assets, may become more important conversations.

ISSUE 2

Income Tax and Frozen Allowances

The background

Personal tax thresholds have been frozen for several years, and as wages have risen, more people have been drawn into paying tax for the first time, or into higher tax bands, a process often called fiscal drag.

What is being discussed

Mr Burnham has acknowledged concerns about the frozen personal allowance and is reported to favour a review, though he has also committed to keeping the current headline rates of income tax, VAT and National Insurance unchanged for the rest of this Parliament. Any change is therefore more likely to come through thresholds and allowances than through the rates themselves. It is also worth remembering that fewer than 2% of UK earners have income above £150,000, so any rebalancing of the tax burden toward higher earners would affect a relatively small, though economically significant, group.

Money Wise UK thoughts

A review of frozen thresholds could ease the burden for basic and lower-rate taxpayers over time, though the fiscal cost of unfreezing allowances is significant and would likely need to be funded from elsewhere, one reason wealth and asset taxes are attracting so much attention. For higher earners, the direction of travel across several proposals points toward more tax falling on capital and assets rather than salary.

ISSUE 3

Inheritance Tax

The background

Inheritance tax is widely regarded as one of the more unpopular and complex parts of the UK tax system, and reform has been discussed by successive governments without significant change.

What is being discussed

Mr Burnham has previously floated replacing inheritance tax altogether with a "care levy" on estates, an idea with roots in the National Care Service he helped legislate for as Health Secretary in 2010. The stated aim would be for everyone to contribute something, with the wealthiest estates paying the most, to help fund social care. Commentators have noted this restructuring may not significantly change the overall amount larger estates pay, even if it looks and feels different. There is also talk of removing the CGT uplift on death, which would interact directly with any inheritance tax reform and could, in combination, catch some estates with two separate tax charges on the same asset.

Money Wise UK thoughts

Genuine simplification of inheritance tax, with a clearer link to social care funding, would likely be welcomed by many. But the detail matters enormously. A poorly designed transition, particularly one that removes the CGT uplift without corresponding IHT relief, could catch families who are asset-rich but cash-poor, such as those inheriting a family home that has risen significantly in value over decades. Estate and succession planning conversations may need to widen to cover both taxes together.

ISSUE 4

The State Pension Triple Lock

The background

The triple lock guarantees the state pension rises each year by the highest of average earnings growth, inflation, or 2.5%. It has been official policy since the early 2010s and has become one of the most politically sensitive commitments in UK public finances, particularly as the population ages and the ratio of workers to pensioners narrows.

What is being discussed

Mr Burnham has publicly and repeatedly recommitted to keeping the triple lock, warning that scrapping it would be politically damaging. However, several senior economists reported to be advising him, including a former Bank of England chief economist and a former chair of the Office for Budget Responsibility, are said to view reform as necessary for sustainable public finances. The OBR has projected the triple lock will cost billions of pounds a year more than originally forecast. Alternatives discussed by commentators include a "living standards lock" tied more closely to earnings, means testing higher-income pensioners, or taxing state pension income as it edges closer to the personal allowance.

Money Wise UK thoughts

Unwinding or softening the triple lock would be a high-risk political strategy given how reliably pensioners vote, and Mr Burnham has so far ruled it out. But the sustainability question has not gone away, and several of his own advisers appear to think reform is inevitable sooner or later. For clients approaching or in retirement, this is less about an imminent change and more a reminder to treat the state pension as one, relatively fragile, input to a wider retirement income plan.

FINAL THOUGHTS

Nothing here is confirmed.
All of it is worth understanding.

The firms best placed to help clients through this will be the ones who can already explain, in plain terms, what might change, what definitely hasn't, and why it matters to their plan.

HOW WE HELP, NEXT STEPS

How Money Wise UK Can Help

We help financial planning firms turn political noise into practical client conversations, without straying into speculation dressed up as advice.

> ***Client briefing and communication support, giving advisers plain-English talking points as and when real policy detail emerges.***

> ***Retirement income and IHT scenario reviews, stress-testing CRP® retirement plans and estate strategies against the changes discussed in this paper.***

> ***Consultancy across proposition and messaging, keeping investment and retirement propositions flexible, defensible, and easy to explain, whatever the Budget brings.***

Let's talk through what this could mean for your clients.

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IMPORTANT INFORMATION

This paper reflects publicly reported speculation and rumoured policy positions as at July 2026. Nothing described here is confirmed government policy. It does not constitute financial, tax, legal or political advice, and is not intended to express a view on the merits of any political party, leader or proposal. Tax rules can change, and their effects depend on individual circumstances. Clients should seek personalised advice from a qualified financial planner before acting on anything discussed here.