

Death Tax plans Escalate



More reports have been published surrounding the Government's plan to introduce a "death tax" to fund elderly care.

The 10% tax on death estates would leave many families with large bills to pay in addition to the 40% inheritance tax already due on estates. The tax will hit middle income families the hardest and would be payable whether or not their deceased loved ones had required care or not.

The proposals will be set out in a highly anticipated White Paper which is due to be released in three weeks. The paper sets out a number of alternatives to the 10% levy including means tested amounts that would be payable throughout retirement and the option to defer pension payments for three years to pay into a National Care Service.

Although details have not yet been finalised it is thought that there will be no lower threshold before the 'death tax' became payable but the upper limit would be capped at £50,000 on estate worth £500,000 or more. The payment would only be made once per couple and proposals suggest this is payable on second death.

At the moment 2.5 million estates fall into the IHT bracket; the new tax would see 14.5 million estates falling into the 'death tax' bracket. Based on current probate valuations the tax would raise £4.5 billion, which would still fall short of the £14 billion needed annually to cover the costs of caring for the elderly.

While all political parties agree that reform is needed the proposals by the Labour Government have been criticized for penalising those who have managed to save money throughout their life.

These proposals replace the discussions of a fixed £20,000 tax previously reported which has now deemed to be unfair. Health Secretary Andy Burnham has reportedly said that he wants to see those with bigger houses pay more to provide for the old.

The Conservatives have further launched strong opposition to a proposed 'pay as you die' council tax scheme which would allow pensioners to defer council tax bills until after their death. They have stated that this is 'just an excuse to hike up council taxes even more while avoiding the sight of pensioners being sent to jail for non-payment'.

The Government are currently denying proposals to introduce the scheme which is already a policy in Northern Ireland.