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Andy Bell: The 67% tax car crash nobody ordered



Andy Bell

31 July 2025



RECOMMENDED



PENSIONS

Rachel
Vahey: The
clock is...

2



Andy Bell – Illustration by Dan Murrell

There are policy missteps and then there's this – a wheezing, exhaust-belching car wreck of an idea being pushed uphill by a government too



PENSIONS
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acquire Just
Group in...**

1

proud to admit the handbrake's still on.

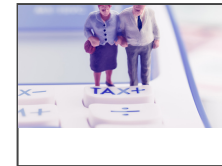
The plan to drag unspent pensions into the inheritance tax (IHT) net isn't about fairness or simplicity or revenue. It's about not looking weak. About avoiding yet another headline screaming "U-turn!", as if that's somehow worse than wrecking one of the few bits of the tax system that vaguely works.

In its apparent quest to make life as difficult as possible for financial advisers, bereaved families and anyone with a pension, the Labour government is hellbent on bulldozing through this change. Not because it's a good idea. Not because it's workable. But because they're terrified of appearing indecisive.

"HMRC has now decided to dump the admin disaster on grieving families instead. Sensible? Slightly. Cruel? Definitely"

Let's recap. Back in April, chancellor Rachel Reeves — without any hint of consultation — announced that from 2027, unspent pensions will be subject to IHT. Further, if the deceased dies age 75 or over, the recipient will also pay income tax on the proceeds. An effective tax rate of 54%, 64% and 67% for basic, higher and additional rate tax payers.

Cue annoyance and a hint of panic among advisers, clients, providers and anyone with a functioning frontal lobe.



PENSIONS

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Boulding: The attraction of...

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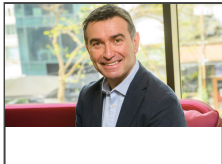
The original plan, drawn up on the back of a fag packet in some Treasury broom cupboard, made pension providers responsible for paying the tax. That's right — companies with no control over probate delays were going to be on the hook for late interest payments. It was like fining the RAC because you got stuck in traffic.

Realising this was borderline insane, HMRC has now decided to dump the admin disaster on grieving families instead. Sensible? Slightly. Cruel? Definitely. And still an utter mess.

So, we now face a future where families navigating death and grief must also decipher the UK's most baffling tax code, with the added pressure of impossible deadlines. All for what? A £1-2bn tax raid on the money someone responsibly saved for decades. In a pension. Encouraged by the same government machine now eyeing it up like a butcher sizing up a prize pig.

READ MORE **Steven Levin: Why HMT must rethink its approach to IHT on pensions**

And here's the thing: no one is saying pensions shouldn't be taxed on death. There aren't pension scheme administrators parked outside Parliament in tractors honking their horns. The industry has stayed calm and constructive. TISA, AJ Bell, and others have offered perfectly sensible alternatives that would still net the Treasury its cash, but without turning probate into a game of bureaucratic whack-a-mole.



PENSIONS 🗨 1
Exclusive:
Andy Curran
on pension...

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One option: scrap the ludicrous “age 75” rule and just tax beneficiaries at their income tax rate, with a tax-free allowance. Simple, familiar and actually fair. Most people understand income tax. Nobody understands IHT, not even HMRC half the time.

Another: reheat the old pre-2015 system with a flat-rate charge — 25% to 35% — and a decent tax-free amount. Yes, it retains the age 75 line, so it’s not as clean, but it’s still a better meal than what we’re being force-fed here. It’s at least palatable, whereas the current proposal is all bones and gristle.

Instead, Reeves and co are pressing on like a learner driver in a fog of bad advice, too proud to hit the brakes. Because apparently, nothing scares this government more than the word “U-turn”. Not economic damage. Not grieving families. Not chaos for advisers. Just the optics.

“If the opposition had any clue, they’d rip this to shreds. It’s a political own goal the size of an aircraft hangar”

If this is political courage, I’m a vegan yoga instructor with a fondness for spreadsheets.

Here’s a thought: if the opposition had any clue, they’d rip this to shreds. It’s a political own goal the size of an aircraft hangar. The sort of policymaking that makes you nostalgic for potholes, bin strikes and the days when tax changes came with a press release that wasn’t written in invisible ink.

PRUDENTIAL

**So trustees
aren’t entitled
to the £5,000...**

Tax pensions on death? Fine. But do it properly. Do it transparently. And for heaven’s sake, do it in a way that doesn’t kneecap the people you’re meant to be helping.

Until then, we’re left with an unholy mess made of pride, panic and political cowardice. And guess who’ll be left sweeping it up.

Andy Bell is co-founder of AJ Bell

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