



The Nil-Rate Band Scandal:

The 40% Tax That's
Really 75%

There's an old saying that governments don't need to raise tax rates to take more money from you – they just need to do nothing.

And that's exactly what's been happening with inheritance tax.

If they doubled the rate overnight from 40% to 80%, there'd be riots in the streets. But when they quietly freeze thresholds for twenty-plus years while property and investments double in value, hardly anyone notices. It's clever, really – not fair, but clever.

What the Nil-Rate Band Is (and Why It Matters)

The Nil-Rate Band (NRB) is the amount you can pass on tax-free before inheritance tax kicks in. It's supposed to protect modest estates from the 40% charge that applies to everything above it.

It was first introduced in 1986, when Inheritance Tax replaced the old Capital Transfer Tax under Margaret Thatcher's government. At the time, the threshold was £71,000. Back then, that was a fair amount of money – roughly enough to buy an average home outright.

Since then, the NRB has crept up slowly, reaching £325,000 in 2009. And then it just... stopped.

Frozen solid.

It hasn't moved a single pound since.

That's sixteen years (and counting) of rising house prices, rising markets, and rising inflation – but a frozen threshold. And the government plans to keep it that way until at least 2030.

By then, the Nil-Rate Band will have been frozen for 21 years.



How Freezes Create Stealth Taxation

Here's the trick: the government doesn't need to raise the inheritance tax rate to make more money. It just lets inflation and growth do the dirty work.

When prices go up but thresholds don't, more estates slip over the line. What was once a middle-class home suddenly counts as "wealth".

It's called fiscal drag, and it's one of the most effective revenue generators ever invented.

The politicians can keep claiming that "inheritance tax is still 40%" – while quietly raking in billions more because that 40% now applies to far more people.

It's manipulation, plain and simple.

The Numbers Don't Lie

Let's look at the history:

Year	Nil-Rate Band	Change
1986	£71,000	–
1990	£128,000	+80%
2000	£234,000	+83%
2005	£275,000	+17%
2009	£325,000	+18%
2010–2030	£325,000	Frozen

That's 21 years of no change at all.

If the NRB had simply kept pace with house prices, it would be over £1,060,000 today.

So the government has effectively taxed families on an extra £735,000 of assets that were never supposed to be in the inheritance tax net.

And that's just the Nil-Rate Band.



The Residence Nil-Rate Band (RNRB)

In 2017, the government tried to look generous by introducing the Residence Nil-Rate Band (RNRB) – an extra allowance for people passing on their home to children or grandchildren.

It started at £100,000 and rose to £175,000 by 2020. But guess what?

It's frozen too.

So a married couple can, in theory, pass on £1 million tax-free (£325,000 each plus £175,000 each for the home). Sounds decent, doesn't it?

Except, of course, property prices and pension values have soared far beyond that.

If your family home is worth £900,000 and you've got £500,000 in pensions, you're already over the line – and facing a £160,000+ tax bill on money you've already paid tax on once (and often twice).



The Real Rate Isn't 40% — It's Closer to 75%

Because of these frozen bands, the effective tax rate for many estates is closer to 70–75% – not 40%.

Here's why.

Imagine you've worked your whole life, paid income tax at 40%, capital gains tax on your investments, and VAT on nearly everything you buy.



Then you die, and 40% of what's left is taken again.

But since the thresholds are frozen, the amount being taxed grows every year – even if you haven't earned a penny more.

That means, in real terms, most families are losing two-thirds of their wealth to the system – either through direct taxation, inflation erosion, or the failure of allowances to keep pace with reality.

And the government knows it.

The Sneaky Genius of the Freeze

This is where it gets almost darkly impressive.

If a government ever proposed an inheritance tax rate of 75%, people would lose their minds. There would be protests outside Downing Street, headlines in every paper, and MPs losing seats overnight.

But by freezing thresholds, they've achieved almost the same thing without ever admitting it.

It's like a slow tax rise in disguise – so slow most people don't even notice.





Every year your house goes up in value, the government's share goes up too. Every year your ISA compounds, the Treasury's slice gets fatter. And every year you work hard and save, the reward for that effort quietly shrinks.

You don't see it day to day, but when the final reckoning comes — your estate — it's all there in black and white.

The Government's Favourite Trick

This trick isn't limited to inheritance tax. They've used the same tactic across the board.



- **Income Tax Bands:** Frozen for years. That means pay rises — even small inflation adjustments — push people into higher tax brackets. They call it “wage growth”, but it’s really just stealth taxation.
- **Stamp Duty:** Thresholds that don’t keep up with house prices. People now pay stamp duty on homes that were once considered modest.
- **Capital Gains Tax:** The annual exemption has been cut to the bone, and the rate never falls.
- **ISA Limits:** Barely changed in years, while inflation has soared.

Everywhere you look, the government is collecting more by pretending to do nothing.

They avoid outrage because “the rates haven’t changed.” But your bill keeps going up because the thresholds haven’t changed either.

The Freezing Game

If you chart the data, the story is obvious:

- In **1986**, a £71,000 threshold matched the average home price.
- By **2009**, the threshold of £325,000 still roughly covered an average London flat.
- By **2025**, the average UK house price will be closer to £450,000 — and in the South East or London, nearer £700,000 or more.



So the typical family home alone can now breach the IHT threshold – before you even count savings, investments, or pensions.

That's why I call it the Nil-Rate Band Scandal.

The government pretends inheritance tax only affects the rich. The truth is, it now affects anyone who's lived responsibly, bought a home, or saved into a pension.



How House Prices and Markets Make It Worse

House prices in the UK have historically doubled every 10 to 12 years. The stock market – whether you look at the FTSE 100 or the S&P 500 – does much the same over time.

So the assets that ordinary people hold – homes, ISAs, pensions – all rise naturally.

But when the inheritance tax threshold doesn't rise with them, that “growth” becomes a liability.

You think you've built wealth. The government sees a larger slice of your estate.

It's the cruel irony of success: the more responsibly you live, the more you're penalised when you die.

At Least Pensions Were Safe — Until Now

For years, pensions were the one saving grace.

They sat outside your estate for inheritance tax purposes. If you died, your beneficiaries could inherit your pension tax-free. That was the one promise that made long-term saving worthwhile.

But as we now know, that's changing. From April 2027, pensions will be brought into the inheritance tax net.

That's the final betrayal.

The one area where families still had protection is now in the firing line.



The Illusion of Stability

The government keeps claiming that freezing thresholds helps “stabilise the economy”. That’s nonsense. What it really does is stabilise their revenue – ensuring that, no matter what happens to inflation or wages, their tax take keeps rising automatically.

And the beauty (for them) is that it doesn’t require a single vote in Parliament. No one headlines a freeze. It’s just another quiet number buried in the Budget notes.

Meanwhile, the effect on families compounds every year.

The typical inheritance tax bill that might have been £198,000 in 2009 is now £400,000 or more purely because of frozen thresholds and asset inflation.

That’s a doubling of the tax burden – without a single official tax rise.

When you strip away the jargon and spreadsheets, this is really about fairness.

Families who’ve done everything right – worked, saved, bought a home – are now being penalised simply for living in a country with rising prices.

If you rent all your life and spend everything you earn, the government leaves you alone. But if you save, invest, and try to pass something on to your children, they take almost half.

What kind of message is that?

And when those same families realise that even their pensions – their supposed safety net – will be dragged into inheritance tax from 2027, it feels like a moral line has been crossed.

The Emotional Impact

When I speak to clients, they’re not just frustrated – they’re heartbroken.

They worked for fifty years, made sacrifices, paid their taxes, and thought they were building something meaningful to pass on.



The Moral Side of the Freeze

Then they discover that because the Nil-Rate Band hasn't moved since 2009, their children could lose hundreds of thousands in tax.

They feel betrayed — and rightly so.

Because this isn't just about money. It's about broken promises, about trust in a system that keeps moving the goalposts while pretending it hasn't.

What You Can Still Do

The good news is that you can still act. The rules may be unfair, but they're not unbeatable.

There are legal and ethical strategies to reduce or eliminate inheritance tax exposure:



- **Trusts** — to protect assets and remove them from your estate.
- **Business and Agricultural Relief** — investments that qualify for 100% IHT exemption after two years.
- **Life policies in trust** — to cover the future tax bill immediately.
- **Gifting strategies** — using the seven-year rule and income-based gifting.
- **Repositioning pensions** — using offshore structures before 2027.

But time is the key. Every year the window narrows as more “loopholes” are closed.

Conclusion: The Silent Tax Revolution

We're living through a quiet tax revolution. The government no longer needs to announce new taxes; it simply freezes the old ones and lets inflation do the rest.

The Nil-Rate Band should be over £1 million today. Instead, it's £325,000 – the same as it was when Gordon Brown was Prime Minister.

That's not stability. That's theft by stealth.


And while ministers boast that the "rate" of inheritance tax hasn't changed, the truth is that the effective rate – when you account for frozen thresholds, asset inflation, and now the inclusion of pensions – is closer to 75%.

It's a tax on aspiration, on prudence, on the idea that families should look after their own.

So yes, the government can keep pretending the rate is 40%. But we know better.

Because when the dust settles, and the estate is valued, and the numbers are tallied, it's clear who really wins.

The Treasury. Every time.

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The 40% Tax...

The Nil-Rate Band Scandal reveals how the inheritance tax, officially set at 40%, effectively swells to a staggering 75% for many families due to frozen thresholds and soaring asset values. As property prices and investments rise, more estates are caught in the tax net, penalizing those who have worked hard to build wealth. This book uncovers the hidden mechanics of fiscal drag and provides strategies to protect your legacy from government manipulation.