Tax Brochure
Gift & Inheritance Tax | 2015

A European Comparison

agn EUROPE

Introduction: Many people face the burden of inheritance and gift taxes, particularly as rising property prices take more people out of the exempt thresholds or into higher tax brackets.

Nationals of the European Union have the freedom to live and work in any member state and increasing numbers are choosing to emigrate with reasons for moving varying from wishing to enjoy a sunnier climate on retirement, realising capital tied up in real estate or simply taking advantage of lower living costs.

Inheritance and Gift taxes are often overlooked when deciding which jurisdiction to relocate to, so those individuals who do not want a considerable part of their savings to be left to the State must consider the impact of these taxes and any related tax planning opportunities that may arise.

The objective of the survey was to compare levels of inheritance tax payable based on a married individual who died without a valid Will on January 1, 2015, leaving a surviving spouse and two children. The assets owned at death were: a house worth €600.000, cash of €1.000.000, quoted company shares valued at €300.000 and unquoted company shares valued at €700.000 (total asset value €2.600.000).

Jurisdictions Covered: 27 jurisdictions took part in the inheritance and gift tax 2015 survey. Of these jurisdictions Cyprus, Estonia, Isle of Man, Liechtenstein, Norway, Slovakia and Sweden have neither gift tax nor inheritance tax; The Czech Republic has no formal gift or inheritance tax but does have a form of these taxes incorporated into their income tax regime. The United Kingdom only has inheritance tax but gifts made in certain limited circumstances are also subject to the regime. Austria has neither gift nor inheritance tax, but real estate transfer tax. The remaining jurisdictions covered were: Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Poland, Portugal, Romania, Serbia, Spain, Switzerland, Ukraine and Turkey.

Results of the 2015 Survey

Gift and Inheritance Taxes: The Survey concentrated on detailed questions affecting calculation of the tax rate, such as the relevance of the relationship of the heirs to the deceased. In some jurisdictions, such as France, there were 'forced heirship' rules which dictated who must benefit from the deceased's estate and in what proportion. Most other jurisdictions allowed relative freedom to choose the beneficiaries of an estate, so careful planning may enable some reduction on the overall inheritance tax rate payable.

Exemption for assets transferred to the spouse was available in most jurisdictions. Belgium, Cyprus, Estonia, Germany, Greece, Italy, the Netherlands, Slovakia, Spain, and Turkey do not offer full spousal exemptions from inheritance tax; instead some of these jurisdictions offer an increased tax-free threshold. Italy has a particularly generous €1,000,000 inheritance exemption threshold for spouses and children meaning that in our survey scenario no inheritance tax was suffered on the estate.

Exemption for assets transferred to children was less common across jurisdictions, with only Czech Republic, Finland, Luxembourg, Poland, Portugal, Romania, Serbia, Switzerland and Ukraine offering full exemptions. Instead, it was more common for either higher inheritance exemption thresholds to apply or for lower tax rates to be charged on the transfers made to children.

Tax Rate: In almost all the jurisdictions surveyed the tax rate was based upon the total value of the assets, and often varied according to the type of the asset and the relationship of the beneficiary to the deceased. Only Denmark, Ireland and the United Kingdom have fixed rates of inheritance tax.

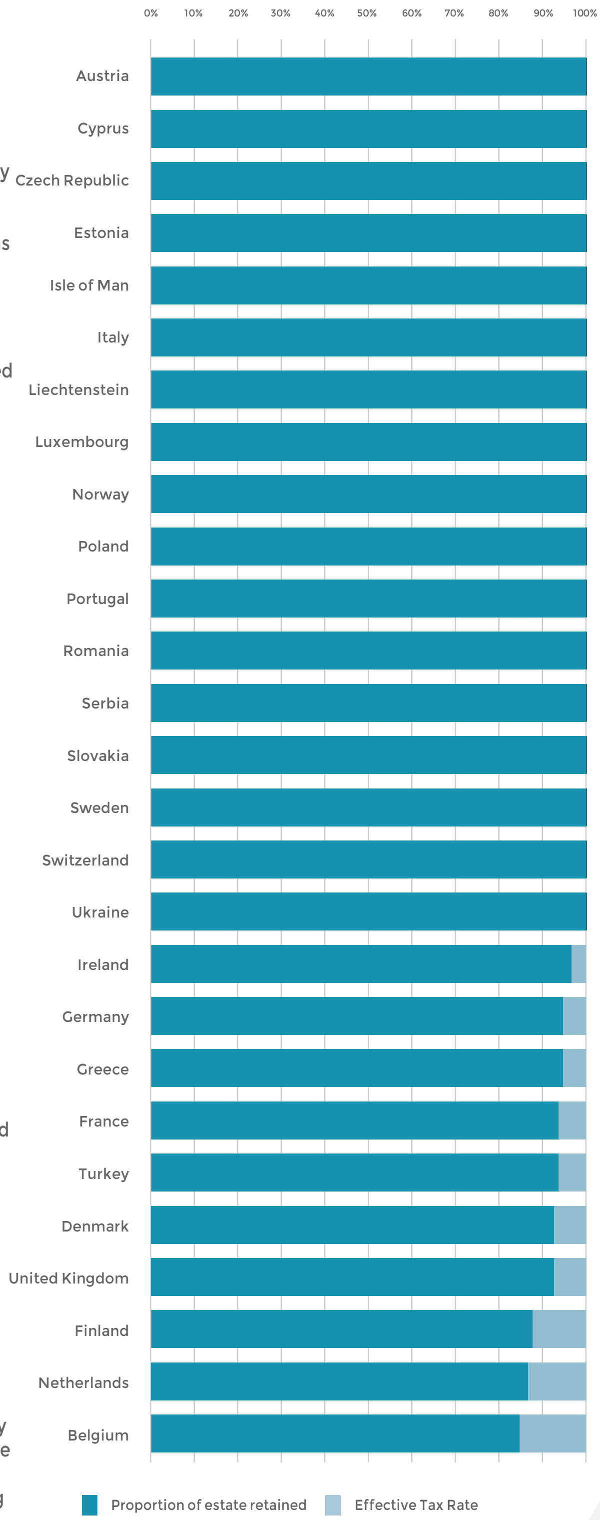
Family Home: The family home was generally valued using current market value; Cyprus, Estonia, France, Lichtenstein, Slovakia, Spain and Sweden apply reduced values to the home for the purpose of calculating inheritance tax, and Germany allows an exemption for the family home but only in certain situations.

Share Portfolio: It is usually important to draw a distinction between shares in companies listed on a recognised stock exchange, and shareholdings in unquoted or family businesses. All jurisdictions surveyed included quoted shares at 100% of the market value. Five jurisdictions apply reduced rates to unquoted shares as follows: Finland (40%) Ireland (10%), Spain (5%), Ukraine (0%) and the United Kingdom (0%). However, there are often conditions that must be fulfilled in order that the reduced rates apply. The proportion of the unquoted shareholding can also be important, with exemptions available if more than a particular percentage of the total share capital in the company is held. This means that care should be taken when gifting unquoted shares as reducing the percentage owned could lead to losing the exemption entirely which emphasises the need for tax planning prior to gift or inheritance decisions being made.

Cash: The survey also shows that cash was included at 100% of its value when calculating inheritance tax.

Conclusion

The results for 2015 showed few substantial differences from the previous year with no jurisdictions abolishing or introducing inheritance or gift taxes in 2014. Approximately half of the jurisdictions surveyed which operate inheritance tax regimes had an effective rate of 0% tax in the particular scenario, these being Czech Republic, Italy, Luxembourg, Poland, Portugal, Romania, Serbia and Switzerland. Although the survey focused solely on inheritance and gift taxes: capital gains, income and property transfer taxes may be equally important when considering transfers of assets by either gift or inheritance and should not be ignored.



excellent.
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Registered office: 24 Greville Street, London EC1N 8SS, UK. Phone +44 (0) 207 971 7373 | Email: info@agn.org

Country	Gift tax	Tax declaration deadline	Inheritance tax	Standard Inheritance / Gift Tax Rate	Tax rate is fixed	Tax rate is based on:		Assets are exempt from the tax if		Proportion of market value:			
						total value of assets	Tax rate is based on the relationship between parties	transferred to the spouse	transferred to the children	used for family house	used for cash	used for quoted shares	used for unquoted shares
Austria	N	Y	N	N	Y	Y	Y	N	N	30.00%	0.00%	0.00%	0.00%
Belagium	Y	Y	Y	N	N	Y	Y	N	N	100.00%	100.00%	100.00%	100.00%
Cyprus	N	N	N	N	N	N	N	N	N	0.00%	0.00%	0.00%	0.00%
Czech Republic	N	Y	N	N	Y	N	Y	Y	Y	100.00%	100.00%	100.00%	100.00%
Denmark	Y	Y	Y	Y	Y	N	Y	Y	N	100.00%	100.00%	100.00%	100.00%
Estonia	N	N	N	N	N	N	N	N	N	0.00%	0.00%	0.00%	0.00%
Finland	Y	Y	Y	N	N	Y	Y	Y	Y	100.00%	100.00%	100.00%	40.00%
France	Y	Y	Y	N	N	Y	Y	Y	N	80.00%	100.00%	100.00%	100.00%
Germany	Y	N	Y	N	N	Y	Y	N	N	100.00%	100.00%	100.00%	100.00%
Greece	Y	Y	Y	N	N	Y	Y	N	N	100.00%	100.00%	100.00%	100.00%
Ireland	Y	Y	Y	Y	Y	Y	Y	Y	N	100.00%	100.00%	100.00%	10.00%
Isle of Man	N	N	N	N	N	N	N	Y	Y	100.00%	100.00%	100.00%	100.00%
Italy	Y	Y	Y	N	N	Y	Y	N	N	100.00%	100.00%	100.00%	100.00%
Liechtenstein	N	N	N	N	N	N	N	Y	Y	50.00%	100.00%	100.00%	70.00%
Luxembourg	Y	Y	Y	Y	N	Y	Y	Y	Y	100.00%	100.00%	100.00%	100.00%
Netherlands	Y	Y	Y	N	N	Y	Y	N	N	100.00%	100.00%	100.00%	100.00%
Norway	N	Y	N	N	N	N	N	Y	Y	100.00%	100.00%	100.00%	100.00%
Poland	Y	Y	Y	Y	N	Y	Y	Y	Y	100.00%	100.00%	100.00%	100.00%
Portugal	Y	N	Y	Y	Y	Y	N	Y	Y	100.00%	100.00%	100.00%	100.00%
Romania	N	N	Y	Y	Y	Y	Y	Y	Y	100.00%	100.00%	100.00%	100.00%
Serbia	Y	Y	Y	Y	Y	Y	Y	Y	Y	100.00%	100.00%	100.00%	100.00%
Slovakia	N	N	N	N	N	N	N	N	N	0.00%	0.00%	0.00%	0.00%
Spain	Y	Y	Y	N	N	Y	Y	N	N	5.00%	100.00%	100.00%	5.00%
Sweden	N	N	N	N	N	N	N	Y	Y	75.00%	100.00%	75.00%	30.00%
Switzerland	Y	Y	Y	Y	N	Y	Y	Y	Y	100.00%	100.00%	100.00%	100.00%
Turkey	Y	Y	Y	Y	N	Y	Y	N	N	100.00%	100.00%	100.00%	100.00%
Ukraine	Y	Y	Y	Y	Y	Y	Y	Y	Y	100.00%	100.00%	100.00%	0.00%
United Kingdom	N	Y	Y	Y	Y	Y	N	Y	N	100.00%	100.00%	100.00%	0.00%