THE AGN EUROPEAN REGION

-- 2009 Inheritance Tax Survey—

The AGN European Region conducts annual surveys of corporate, parent companies, value added (VAT), salary and social security and inheritance taxes. These surveys have been produced for a number of years and provide interesting comparisons from year to year and from country to country and give an insight into trends.

Introduction: As Europeans become richer more and more are likely to be affected by inheritance and gift taxes. These taxes are often overlooked and even relatively straight forward planning opportunities are often missed. European Union Nationals have the freedom to live and work in any member State, and increasing numbers are choosing to emigrate to enjoy a sunnier climate or realise capital tied up in real estate or take advantage of a lower cost of living to achieve a more comfortable retirement. Those who do not want a considerable part of their savings to be left to the State must consider the impact of inheritance tax.

The objective of the survey is to compare levels of inheritance tax payable and is based on a married individual who dies on January 1, 2009, leaving a spouse and two children. The assets owned at death are: a house worth €600.000,00, cash of €1.000.000,00, quoted company shares valued at €300.000,00 and unquoted company shares valued at €700.000.00 (total asset value €2.600.000,00). The deceased is assumed to have left no will (which is a common observation in all countries surveyed even though an up-to-date will should be an essential element of every family's financial planning).

Countries Covered: Of the 30 countries covered in this 2009 survey Austria, Cyprus, Estonia, Russia and Sweden have neither gift tax nor inheritance tax, Malta and Romania only have inheritance tax. The remaining countries covered were: Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Liechtenstein, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Slovenia, Switzerland, Ukraine and the United Kingdom.

Results of the 2009 Survey

Gift and Inheritance Taxes: The Survey concentrates on detailed questions affecting calculation of the tax rate, such as the relevance of the relationship of the heirs to the deceased. In some countries, such as France, there are 'forced heirship' rules which dictate who benefits from the deceased's estate. Most other countries allow relative freedom to choose the beneficiaries so careful planning may enable some choice on the overall inheritance tax rate payable.

Exemption for assets transferred to the spouse is available in most countries included in the survey with only Belgium, Germany, Greece, Italy, Liechtenstein, Netherlands, Poland, and Romania not offering any form of inheritance tax exemption where assets are transferred to the spouse.

Exemption for assets transferred children is less common with only 50% of the countries surveyed offering this exemption (Bulgaria, Croatia, Czech Republic, Finland, Hungary, Luxembourg, Malta, Norway, Portugal, Russia, Slovenia, Spain, Sweden, and the Ukraine).

Tax Rate: In the majority of countries the tax rate is based upon the total value of the assets, but often varies according to the type of the asset.

Family Home: The family home is generally valued using current market value; the following countries apply reduced values: France (80%), Liechtenstein (50%), Malta (50%), Portugal (90%), Slovenia (80%) and Spain (58%).

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. The proportion of the 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 can mean that giving away a small number of shares leads to losing the exemption and the value of the estate for inheritance tax purposes increasing! This again emphasises the need to plan!

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

CONCLUSION:

The results for 2009 show some substantial differences, from an effective tax rates of 21,90% in Belgium and 15,20% in the Netherlands to no effective tax at all in a group of countries including Bulgaria, Croatia, Czech Republic, Ireland, Italy, Luxembourg, Portugal, Slovenia, Switzerland and Ukraine. Although the survey focuses on inheritance and gift taxes, these are not the only taxes to be considered: capital gains, income and property transfer taxes may be equally important.

Before taking or refraining from action in relation to the above, specific professional advice should be taken.

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