



Global Family Business Tax Monitor

**Comparing the impact of tax regimes
on family businesses**

April 2016

Family Business

kpmg.com/enterprise



Foreword

Impact of tax regimes on family business succession upon retirement or inheritance

While tax regimes around the world vary greatly, it is heartening to see that, generally, countries are supporting and encouraging investment and growth in family businesses, with low tax liabilities for the transfer of businesses to the next generation either upon retirement or inheritance. Where tax is due, many countries have mechanisms that allow for payments to be paid in instalments or deferred.

Longevity is the cornerstone of a successful family business's DNA and the key to its long-lasting success and economic impact. Yet, while, business succession is often one of the primary goals of a family business owner, it can also be their biggest headache.

One of the questions often asked is: When is the right time to pass the business on to the next generation? While tax considerations should not drive this decision, it is, of course, one of the fundamental aspects which needs to be taken into consideration.

Two years after KPMG published the inaugural Tax Monitor report, conducted in association with European Family Business (EFB), we are once again providing insights to the tax burden arising from succession to the next generation, either upon retirement or inheritance of a family-owned business in various jurisdictions.

In the first edition of the Tax Monitor report, released in April 2014, the tax regimes across 23 European countries were reviewed. In this second edition, we have conducted the analysis on a global level with 42 countries participating, including the major jurisdictions across the Americas, Europe, the Middle East, Africa, Asia and Oceania.

Similar to the 2014 Tax Monitor report, KPMG member firms were asked to analyze the tax burden arising from the inheritance of the business by a family member upon the death of the owner of a family-owned business. They also worked on a case study whereby the business was transferred to a family member due to the business owner retiring.

The study demonstrates that the overall burden of taxation arising from the transfer of shares in a family owned limited company varies significantly across the surveyed countries.

Our analysis asked the respective countries to explain the tax burden arising from two scenarios: before exemptions were applied and after exemptions were applied. The exemptions are either set out in legislation or are, at least, approved by concession.

As a point of note, in relation to the general taxation of assets, the tax burden on gifts made during a lifetime and upon death were significantly higher in the more advanced economies compared

to those which are currently 'emerging markets'. Interestingly (and reflective of the general theme from the more advanced economies that they wish to encourage wealth generators), the advanced economies, in general, provide extensive and generous exemptions for assets that are treated as part of the business.

Thus, while the overall approach of the more advanced economies is to tax more heavily, their provision of exemptions indicates that in this, at least, both the emerging markets and more advanced economies value the contributions made by family-owned businesses and wish to ensure that heavy tax burdens do not negatively affect their viability. After all, any taxes levied have to be met from personal or business resources, arguably leaving less for reinvestment and business growth.

While several higher tax and lower tax countries are geographically adjacent to each other (posing an interesting dilemma for business owners in relation to potential relocation), what is clear from the analysis is that in deciding the extent to which they wish their actions to be influenced by potential tax burdens, family business owners should make sure that they weigh this against a whole host of other factors. For example, care must be taken that any tax advantages offered to business assets should be considered in conjunction with the treatment of the family's non-business assets.

We trust that you will find this report useful while preparing for the future of your family business.



Dennis Fortnum
Global Chairman of
KPMG Enterprise



Christophe Bernard
Global Head of
KPMG Enterprise,
Family Business



General notes about the analysis

Size of the business

Two different companies were suggested for analysis: first a small-sized business (valued at €10 million) and second, a medium-sized business (valued at €100 million). Only *Germany* showed a disproportionate difference in tax levied on the larger business, with a higher tax rate applied to the higher value business¹. With no disproportionate difference shown by other countries, it was therefore decided for the purposes of this report to focus on analyzing the tax burdens levied on transfers relating to the €10 million business.

Exchange rates

The applied exchange rates were current during the period from June to August, 2015.

Countries with different tax jurisdictions

A number of countries participating in the monitor have different internal jurisdictions for tax with different tax rates and treatments applying in different geographical areas, including the *US, Switzerland, Spain, Belgium, Brazil and Bosnia & Herzegovina*. For the *US*, two different states were analyzed: a higher tax state such as New Jersey, which applies federal and state taxes to the transfer of a family business and a lower tax state such as Texas, which only applies federal taxes. For other countries with these variations, the report shows a representative example for the specified area.

¹ Assuming business value of €10 million, the tax on death or lifetime transfer was €2.3 million. If the business value increased to €100 million, the tax on death or lifetime transfer was €30 million.



Family business succession through inheritance

While the more advanced economies generally provide substantial exemptions for business assets (reducing their generally higher rates on non-business assets), if the exemption conditions are not fulfilled, on average, the level of tax due is significantly higher than that due under the emerging markets (which tend to apply lower tax rates on all assets regardless of type).

While the approach to taxing non-business assets more heavily in more advanced economies may reflect a differing balance between funding infrastructure and encouraging entrepreneurship, the exemptions provided, in effect, create a far more level playing field in the taxation of business assets across both types of economies.

In this area, at least, it appears there is agreed ground between differing economies that family business entrepreneurship and economic growth should be encouraged.

Tax arising from transfers on inheritance **without exemptions and reliefs**

Figure 1a, which provides an overview of tax levied across the 42 countries surveyed (excluding any exemptions and reliefs which are available — either due to the nature of the asset or to the relationship between the parties), demonstrates the vast range of tax arising from the transfer on death of a family business from parent to child. The tax due ranges from €0 to more than €4.5 million.

More than half of the surveyed countries (25) are flagged as 'dark blue' (i.e. taxes of less than €1 million), though a tax levy of up to €1 million still represents a large amount for this size of an organization. Eleven countries are flagged 'turquoise', as they impose taxes of more than €3 million.

The analysis demonstrates in that the more advanced economies of the *US, Australia, Western Europe* and *Japan*, transfers of general assets are taxed much more heavily than in the emerging markets of *Central and Eastern Europe, China, India* or the lower



Case study 1: Inheritance

John Smith has owned his family business, Oakwood, for over 10 years. He invested €1 million to establish the company and has worked hard over the years to build it. The current balance sheet is shown below. The business is now valued at €10 million on an arm's-length, third-party basis **(which includes €5 million of goodwill)**. All assets in the company are used for the purposes of the business.

John's wife Sarah died in 2010 and he has one daughter, Anna, who is 35 years old. Unfortunately, John died in early 2015 and his will passed the business to Anna, who intends to continue the business for the next 20 years or so.

What is the tax impact of John's death?

Oakwood balance sheet as at date of transfer:

Manufacturing facility (real estate):	€3,000,000
Inventory:	€2,000,000
Trade debtors:	€2,000,000
Cash (used in the business):	€1,000,000
Total assets:	€8,000,000
Share capital:	€1,000,000
Distributable reserves:	€4,000,000
Bank debt:	€3,000,000
Total Liabilities:	€8,000,000

tax jurisdictions of *Luxembourg* and the *Isle of Man*, which have no tax due on transfers at all.

Interestingly, *Switzerland*, which is commonly seen as a lower tax jurisdiction, does impose inheritance tax on transfers between individuals (although this tax is often fully exempted if the transfer is between parent and child).

This trend may reflect a difference in priorities between the two types of economies. While the more advanced economies may prioritize funding infrastructure and spend more on average per head on their population, the emerging markets are generally at the earlier stages of encouraging wealth creation.

By decreasing the tax burden, these governments appear to be encouraging family members to keep their assets and business within the generations and to grow and develop it.

Presumably, the aim is that in the future, such actions will provide that respective government with more funds to invest in their country's infrastructure and for its wider economic benefit.

The types of taxes applied across the countries also vary greatly. Ten different taxes were identified as arising on such a transfer by the survey respondents, including: personal income tax, inheritance tax (IHT), real estate transfer tax (RETT), capital transfer tax, wealth tax, duty on documents and transfers, stamp duty, estate tax, securities transfer tax and capital gains tax (CGT).

“ The exemptions and reliefs are **often complex, although generous in nature.** ”

Catherine Grum

Head of Family Office Services,
KPMG in the UK

Nevertheless, sometimes the only difference lies in the name of the tax (one of the examples is IHT or estate tax). Among all the countries, *South Africa* and the *US* (in a high tax state) apply the taxes on a single transfer on inheritance of a business. *South Africa* levies three taxes: IHT, personal income tax and securities transfer tax, while the *US* imposes (in a high tax state) state real estate transfer tax, state estate tax and state inheritance tax (which is fully exempted in this scenario) and federal estate tax.

Notwithstanding the described approach of the more advanced economies to the taxation of general assets as described above, they provide generous exemptions to business assets and, on occasion, to transfers between family members specifically. Their overall treatment of business assets reflects their acknowledgement of the desirability that family businesses should be able to be handed down to the next generation without suffering an unrealistic tax burden. **The tax landscape, therefore, changes dramatically when introducing country-specific tax exemptions and reliefs.**

Tax arising from transfers on inheritance with exemptions and reliefs

As the more advanced economies provide generous exemptions to business assets, the end result is often that their treatment of such transfers is closely aligned to that of the emerging economies. Figure 1b demonstrates the landscape when available exemptions and reliefs are taken into account.

When applying reliefs and exemptions to the case study, the list of countries which impose no tax is increased by eight additional countries, including: *Australia, the UK, Switzerland, Germany, Portugal, Cyprus, Lithuania* and *Italy*. This increases the ratio of the surveyed countries with no tax due at all from 33 percent before exemptions to 52 percent after exemptions and reliefs (Figure 1c). *Australia, the UK, Switzerland* and *Germany* show the most significant reductions to zero tax levied.

Some countries apply only partial exemptions and consequently, even after their application, the respective tax due on a family business transfer on inheritance remains in the 'turquoise' or 'blue' zones. The effect of such partial exemptions can be shown in countries such as *South Africa* (tax reduced by some €95,000 to €3.15 million), *the US* (tax reduced by some €2 million to €2.68 million in a high tax state and tax reduced by some €1.95 million to €2 million in a low tax state) and *Canada* (tax reduced by some €186,000 to €1.8 million).

Table 1: Tax on transfers of inheritance in North America

Country	Total tax before exemptions	Total tax after exemptions	Type of exemption
US (high tax state)	€4,693,107	€2,682,795	partial exemption
US (low tax state)	€4,000,000	€2,042,256	partial exemption
Mexico	€3,700,000	€200,000	partial exemption
Canada	€2,025,000	€1,838,250	partial exemption

Source: Global Family Business Tax Monitor, KPMG, March 2016

The country levying the highest level of tax in a landscape which takes account of exemptions is *Japan* (€3.77 million). Contrary to the vast majority of the more advanced economies, Japan offers no exemptions to reduce tax liability on the transfer of a family business on inheritance.

The exemptions provided by the more advanced economies often require complex upfront structuring and compliance with certain rules, reinforcing the need for advice to be obtained if one is to take full advantage of the exemptions.

A number of countries have conditions that have to be met for the exemptions to apply, including a minimum period of time that the shares should have been held prior to the transfer and how long the business should be continued post transfer. The application, conditions and upfront structuring to obtain exemptions are complex and should be reviewed on a country-by-country basis. Detailed information is included in the country summaries at the end of this monitor.

North America

As previously mentioned, within different US states, the tax regimes differ due to the specific application of federal and state taxes. Notwithstanding this, however, the difference between tax amounts levied on such a transfer in a 'high tax US state' and a 'low tax US state' is minimal compared to the wildly differential range of tax levied in the countries surveyed.

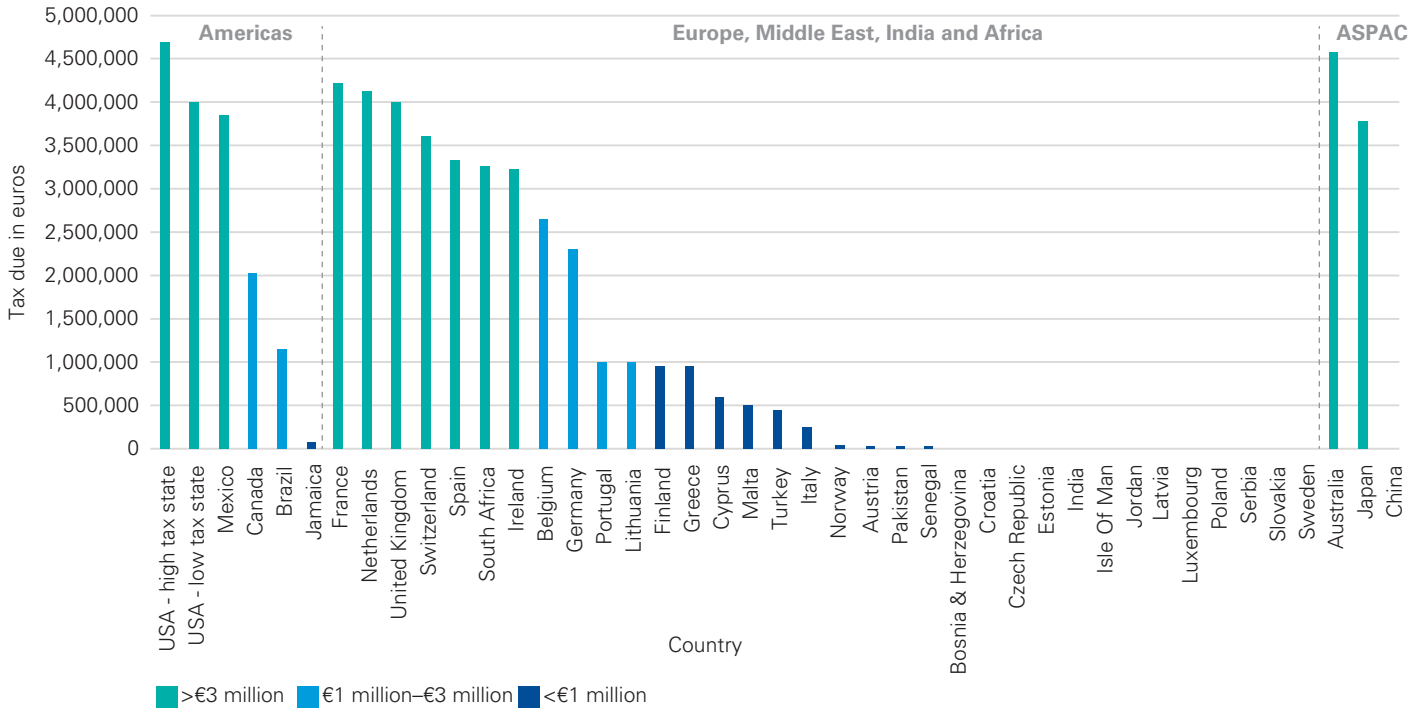
Before any available exemptions and reliefs are applied, the tax due (in both high tax and low tax US states) is in excess of €3 million, placing the US in first and fifth place respectively in the worldwide ranking (Figure 1a). After the exemptions are applied, the high and low tax US states go down to third and fourth place respectively (Figure 1b).

The available exemptions, therefore, have limited effect in reducing tax, leaving both high and low tax US states relatively high up the table compared to other jurisdictions. Even so, for businesses that wish to be based within the US, there is a differential of some €600,000 between the high tax and low tax states, which, all other matters being equal, may be influential in deciding ultimate locations for the family business.

The matter is further complicated if consideration is given to the neighbouring countries of *Mexico* and *Canada* in addition to the respective US state, as both these countries offer generous exemptions. (Table 1).

Family business transfer through **inheritance**

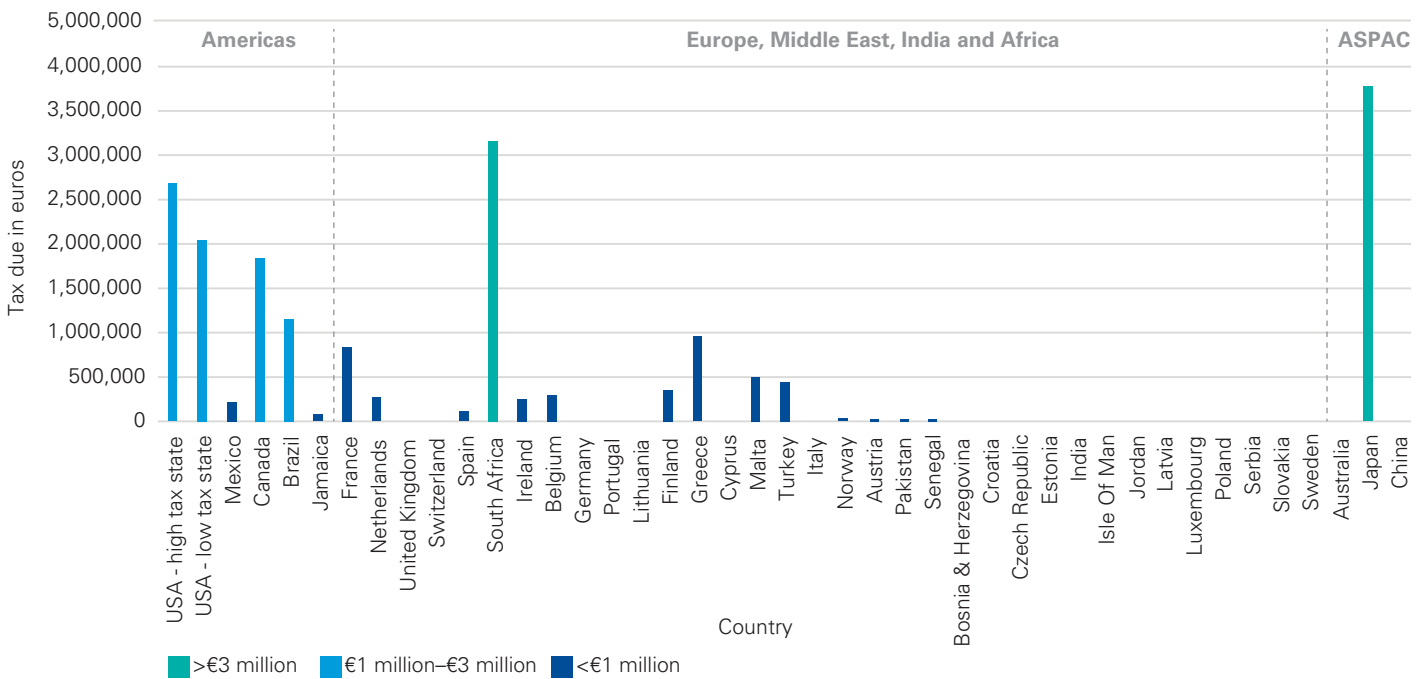
Figure 1a: tax due before exemptions



Source: Global Family Business Tax Monitor, KPMG, March 2016

Family business transfer through **inheritance**

Figure 1b: tax due after exemptions



Source: Global Family Business Tax Monitor, KPMG, March 2016

Europe

If one considers Europe as a separate geographic zone, it demonstrates (in much the same way as the global landscape), the wide contrast in taxes which different countries apply to the transfer of the family business on inheritance.

Six of the 11 countries flagged as 'turquoise' (Figure 1a) are from Western Europe: *France, Netherlands, the UK, Spain, Switzerland and Ireland*, with these countries therefore being the European countries levying the highest level of tax before any exemptions are considered.

However, while the above demonstrates the tax due on general assets, it is evident that to look at this without considering exemptions is misleading.

The landscape in Europe alters **dramatically** once exemptions are taken into account, with the tax levied in most European countries decreasing to below €500,000. In the revised landscape, the countries levying the highest taxes are *France* (where partial exemptions are applied) and *Greece* (with no exemptions at all apart from tax relief on the basis of the relationship between the two parties). However, even as the highest tax levying countries in Europe, taxes in both countries are still below €1 million, which are relatively low compared to the tax levied in the *US, Japan, South Africa and Canada*.

The *UK* demonstrates the biggest difference in tax levied before and after exemption, with a full exemption reducing the tax bill by €4 million where the relevant conditions are met.

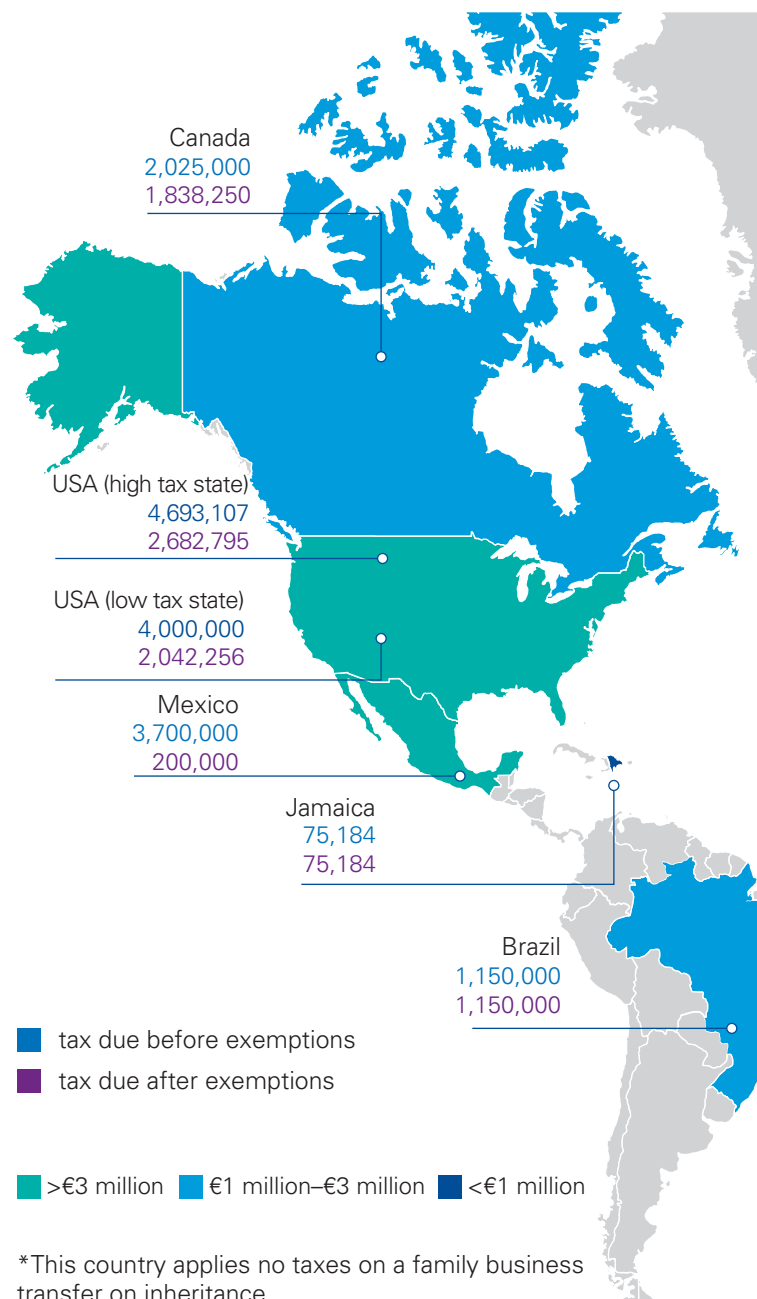
Recent changes in the European tax regimes

As previously mentioned, the inaugural survey of this kind, 'European Family Business Tax Monitor'*, was conducted in 2014, in which the tax regimes across 23 European countries were compared (using an identical business case). Nineteen out of those 23 countries participated in this questionnaire.

The majority of these countries have not significantly changed their tax burden or rules. However, of those changes which have been introduced since 2013, the major ones are:

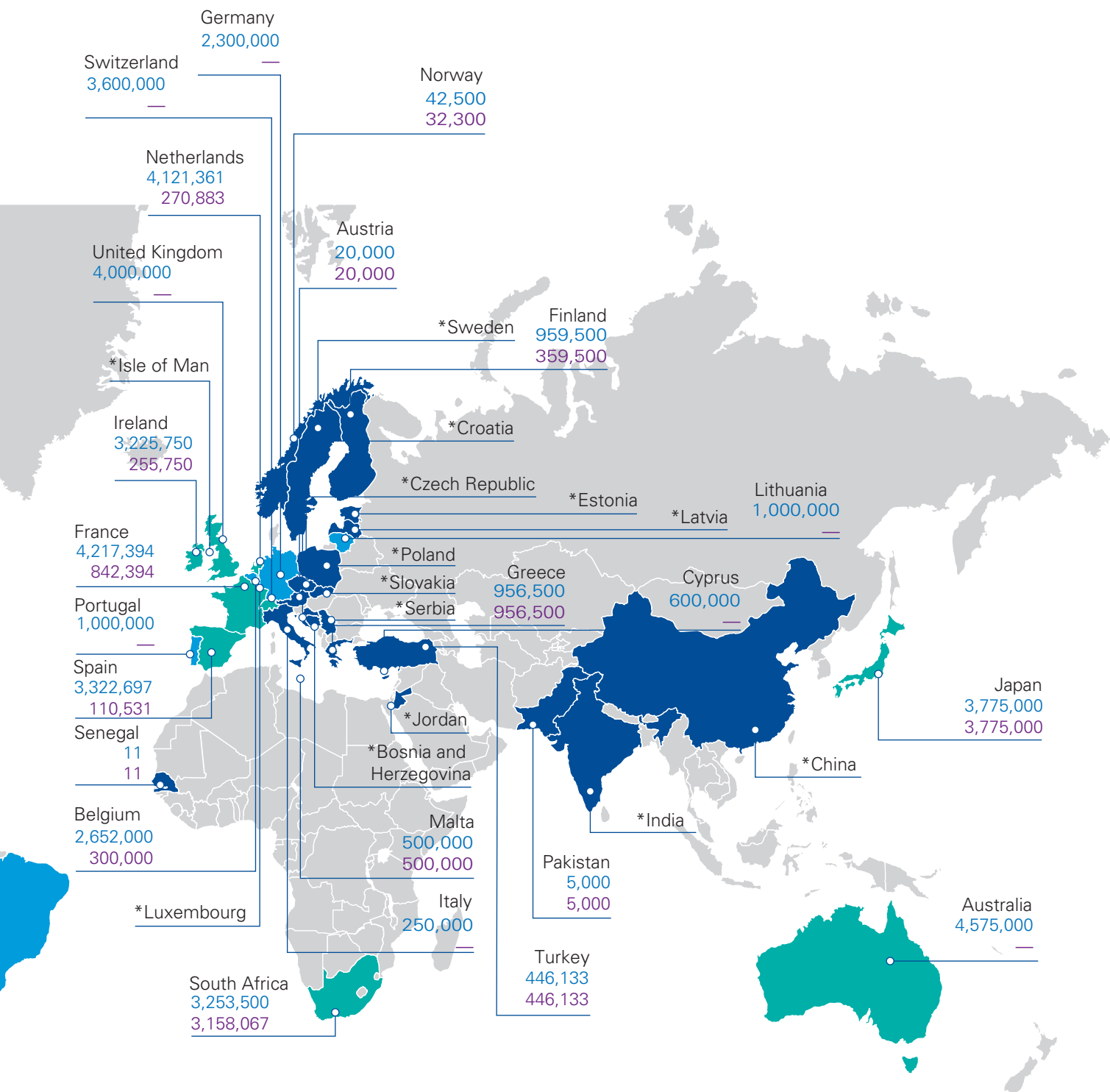
- *Czech Republic*: IHT abolished in 2014
- *Finland, Germany, Spain*: tax rates increased since 2013 (either before or after exemptions, or both)

Figure 1c: Country comparison of tax treatment pre- and post-application of exemptions and reliefs on a family business transfer on inheritance



Source: Global Family Business Tax Monitor, KPMG, March 2016

*European Family Business Tax Monitor, EFB-KPMG, Apr 2014





Family business succession on retirement

In much the same way as countries are divided in their approach to taxes due on transfers on inheritance (see the previous section), the more advanced economies generally tax lifetime gifts of non-business assets much more heavily than the emerging markets.

However, similarly to transfers on inheritance, the more advanced economies often provide substantial exemptions for business assets for lifetime transfers, provided the exemption conditions are met. After application of exemptions, the playing field is levelled somewhat.

Tax arising from transfers on retirement **without exemptions and reliefs**

Figure 2a provides an overview of tax imposed on a family business transfer on a retirement of a family business owner (before any exemptions and reliefs available are applied). There are 12 countries flagged 'turquoise' (compared to 11 in relation to a business transfer on inheritance), with eight out of the highest 10 tax-on-death countries also appearing on the top 10 lifetime transfer list. With some minor exceptions, the countries in the 'dark blue' zone, with taxes below €1 million or no taxes at all on inheritance, are the same countries featuring in the 'dark blue' zone for lifetime transfers.

In much the same way as countries are divided in their approach to taxes on inheritance, the more advanced economies of

the US, Australia, Western Europe and Japan tax lifetime gifts of non-business assets much more heavily than the emerging markets of Central and Eastern Europe, China and the lower tax jurisdiction of the Isle of Man. These countries, in much the same

“ Discretionary trusts are an important mechanism for large family owned businesses in helping to facilitate tax effective succession and strong asset protection. ”

Bill Noye

Partner, Head of Family Business,
KPMG in Australia



Case study 2: Retirement

John Smith has owned his family business, Oakwood, for over 10 years. He invested €1 million to establish the company and has worked hard over the years to build it. The current balance sheet is shown below. The business is now valued at €10 million on an arm's-length, third-party basis (**which includes €5 million of goodwill**). All assets in the company are used for the purposes of the business.

In 2015, John, who is getting older, wished to retire. He decides to gift Oakwood to his daughter, Anna who is 35 years old. Anna intends to continue the business for at least the next 20 years or so. The gift is not related to any employment of Anna in the business.

What is the tax impact of John gifting the business to Anna in 2016, presuming that John is still alive for at least 10 more years?

Oakwood balance sheet as at date of transfer:

Manufacturing facility (real estate):	€3,000,000
Inventory:	€2,000,000
Trade debtors:	€2,000,000
Cash (used in the business):	€1,000,000
Total assets:	€8,000,000
Share capital:	€1,000,000
Distributable reserves:	€4,000,000
Bank debt:	€3,000,000
Total Liabilities:	€8,000,000

approach to their treatment of transfers on inheritance, impose no tax at all when succession is due to a lifetime gift.

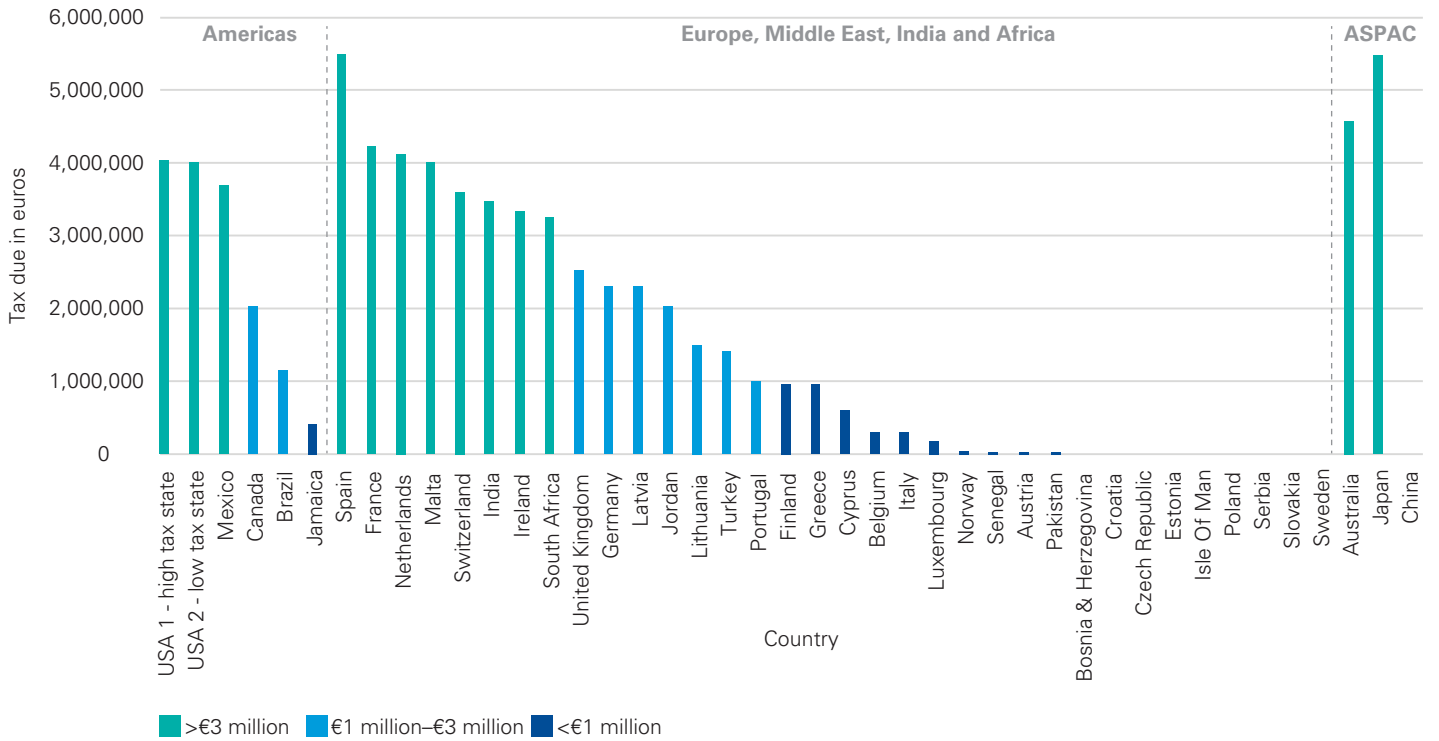
Interestingly, *Lithuania* and *Latvia* apply personal income tax on a lifetime gift but this is fully exempted for gifts between close family members.

India treats lifetime transfers far less favorably than transfers on inheritance (moving from the 'dark blue' zone for transfers on inheritance (nil tax) to the 'turquoise' zone for the transfer on retirement (€3.48 million).

Taxes applied globally on the family business transfer retirement vary, with a total of nine different taxes identified in the surveyed countries. The most common taxes are: gift tax, personal income tax and stamp duty. Taxes less commonly imposed are: capital gains tax (CGT), real estate transfer tax (RETT), capital transfer tax, securities transfer tax, wealth tax and duty on documents and transfers.

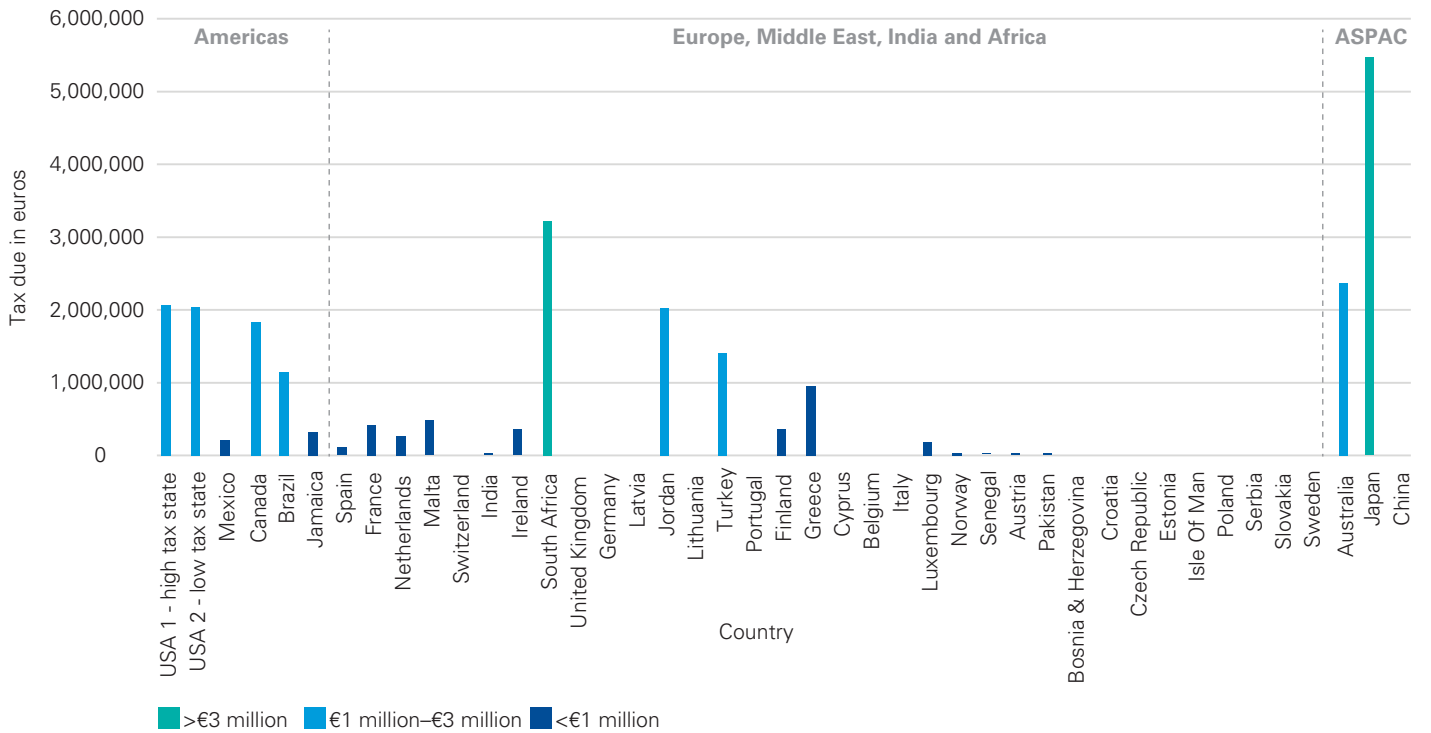
For retirement transfers, *South Africa* is again the country which applies the highest number of taxes on a single transfer with three taxes applied (gift tax, personal income tax and securities transfer tax).

Family business transfer on retirement
Figure 2a: tax due before exemptions



Source: Global Family Business Tax Monitor, KPMG, March 2016

Family business transfer on retirement
Figure 2b: tax due after exemptions



Source: Global Family Business Tax Monitor, KPMG, March 2016

Before exemptions are applied, *Spain* imposes the highest potential rate of tax on retirement transfers of business assets.

Tax arising from retirement **with exemptions and reliefs**

While in general greater tax is imposed on lifetime gifts of business assets, compared to transfers on inheritance (Figure 2b), the vast majority of the more advanced economies offer substantial exemptions in relation to lifetime gifts. These exemptions however often require complex conditions to be fulfilled, reinforcing the need for proper advice.

However, bucking the trend, *Japan*, *Jordan* and *South Africa* offer very limited exemptions to such lifetime gifts and appear to be sending a clear message that their preference is for gifts on inheritance rather than retirement, which may affect attitudes to succession and result in complex structuring.

In the new landscape (Figure 2c), after the exemptions are applied, once again the country with the highest tax charge is *Japan* (€5.5 million). *Japan* does not apply any exemptions to the retirement transfers of the business (in a similar way to the transfer of business assets on inheritance, though the tax on inheritance was significantly lower (€3.7 million)).

A number of countries apply partial exemptions, though even so, after the exemptions are taken into account, their tax charge on the business transferred during lifetime remains over €1 million. These countries include: *South Africa* (€3.2 million), *Australia* (€2.37 million), the *US (high tax state)* (€2.07 million), the *US (low tax state)* (€2 million), *Jordan* (€2 million) and *Canada* (€1.8 million). While *South Africa*, the *US* and *Canada* feature on this list for both transfers on inheritance and lifetime transfers, *Australia* and *Jordan* are new in this list. In case of transfers on inheritance, *Australia* provides for a full exemption and *Jordan* does not apply any tax at all.

Switzerland, *UK*, *Italy*, *Germany*, *Latvia*, *Lithuania*, *Portugal*, *Cyprus* and *Belgium* are countries which provide for a full exemption on the retirement transfer of the family business. This increases the percentage of countries in the monitor with no tax arising from a lifetime transfer from 24 percent before exemptions to 45 percent after exemptions. These figures are both lower than transfers on inheritance (more countries apply no tax or full exemption on transfers on inheritance than retirement transfers).

A number of countries have conditions that have to be met for the exemptions to apply, including a minimum period of time that the shares should have been held by the donor prior to the gift and how long the business should be continued post-transfer.

These include *Belgium* and *Germany*, which offer full exemptions subject to conditions and *Australia*, *Finland*, *France* and *Spain*, which offer partial exemptions. Further information

on these are included in the country summaries at the end of the report.

Interesting facts

While the indicated taxes for the majority of the surveyed countries are of no surprise when one considers the generally perceived methodology behind their respective taxation systems, some anomalies remain. *Sweden* is the most notable of these, as it is mainly seen as a high tax jurisdiction. While *Sweden's* income tax rates are commonly acknowledged as high, perhaps as a result of this, *Sweden* does not impose any taxes on retirement transfers or transfers on inheritance.

North America

In line with the tax treatment of transfers on inheritance of the family business, the difference for retirement transfers between the high and low tax states in the *US* is minimal compared to the range of tax imposed globally. While flagged as 'turquoise', the *US* is no longer the country with the highest taxes within its region, being in the sixth and eighth places before exemptions and in fourth and fifth places after exemptions for high and low tax states respectively (Figure 2a and Figure 2b).

The exemptions that are applied by the *US* are, therefore, minimal in terms of the value of the business and both high tax and low tax states still charge a comparatively high amount of tax compared to the other surveyed countries. After the exemptions are applied, the difference between the high tax and low tax states is relatively insignificant at only €30,000.

“ In Ireland, notwithstanding, retirement transfers may be subject to more tax in general than transfers on inheritance (as no stamp duty or capital gains tax should arise on a death), retirement transfers may benefit from various generous exemptions, as such it's worth making sure the rules are met before contemplating a gift.”

Olivia Lynch
Partner, Tax, KPMG in Ireland

Table 2: Tax on retirement in North America

Country	Total tax before exemptions	Total tax after exemptions	Type of exemption
US (high tax state)	€4,029,727	€2,066,935	partial exemption
US (low tax state)	€4,000,000	€2,037,208	partial exemption
Mexico	€3,700,000	€200,000	partial exemption
Canada	€2,025,000	€1,838,250	partial exemption

Europe

The analysis of the Figure 2a indicates that six European countries are flagged as ‘turquoise’ as imposing a tax levy of more than €3 million before exemptions upon a retirement transfer of business assets. Interestingly, these are the same countries (with a new one, *Malta*, and one, the *UK*, leaving this list) that were cited as countries with the highest tax before exemptions on transfers on inheritance. They consist of *Spain, France, Netherlands, Malta, Switzerland* and *Ireland*.

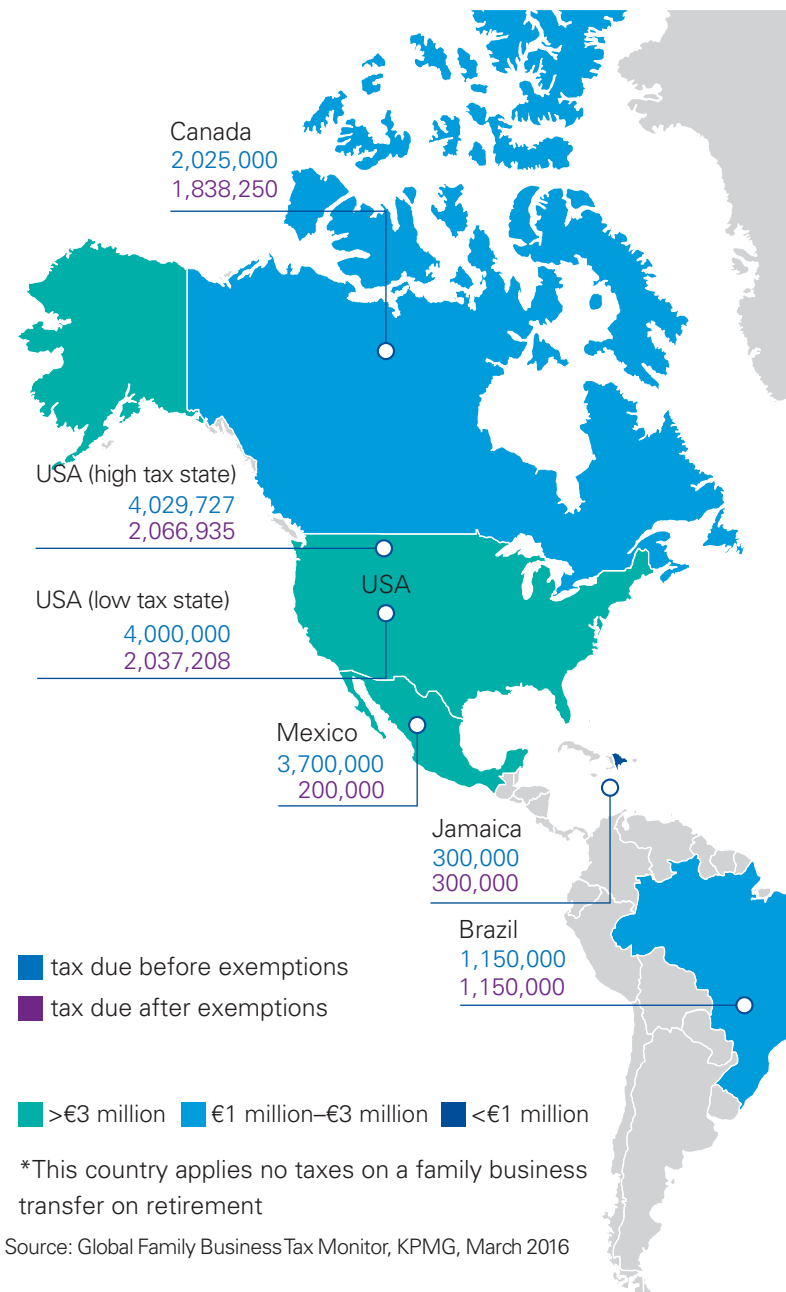
After available exemptions are applied, *Greece* (€956,500) is the country with the highest taxes, offering no exemptions at all.

“ Planning for a successful succession is top of mind for many of our family business clients in Germany — which we attribute in part to the extensive press coverage following the decision of the German Federal Constitutional Court which will result in a legislative change. While succession needs thorough planning (as many considerations beyond tax exemptions should be taken into account) some family businesses who are planning future succession are considering earlier transfers so that they can benefit from the existing tax legislation.”

Jürgen Sievert
Partner, Tax, KPMG in Germany

**European Family Business Tax Monitor, EFB-KPMG, Apr 2014*

Figure 2c: Country comparison of tax treatment pre- and post-application of exemptions and reliefs on a family business transfer on retirement



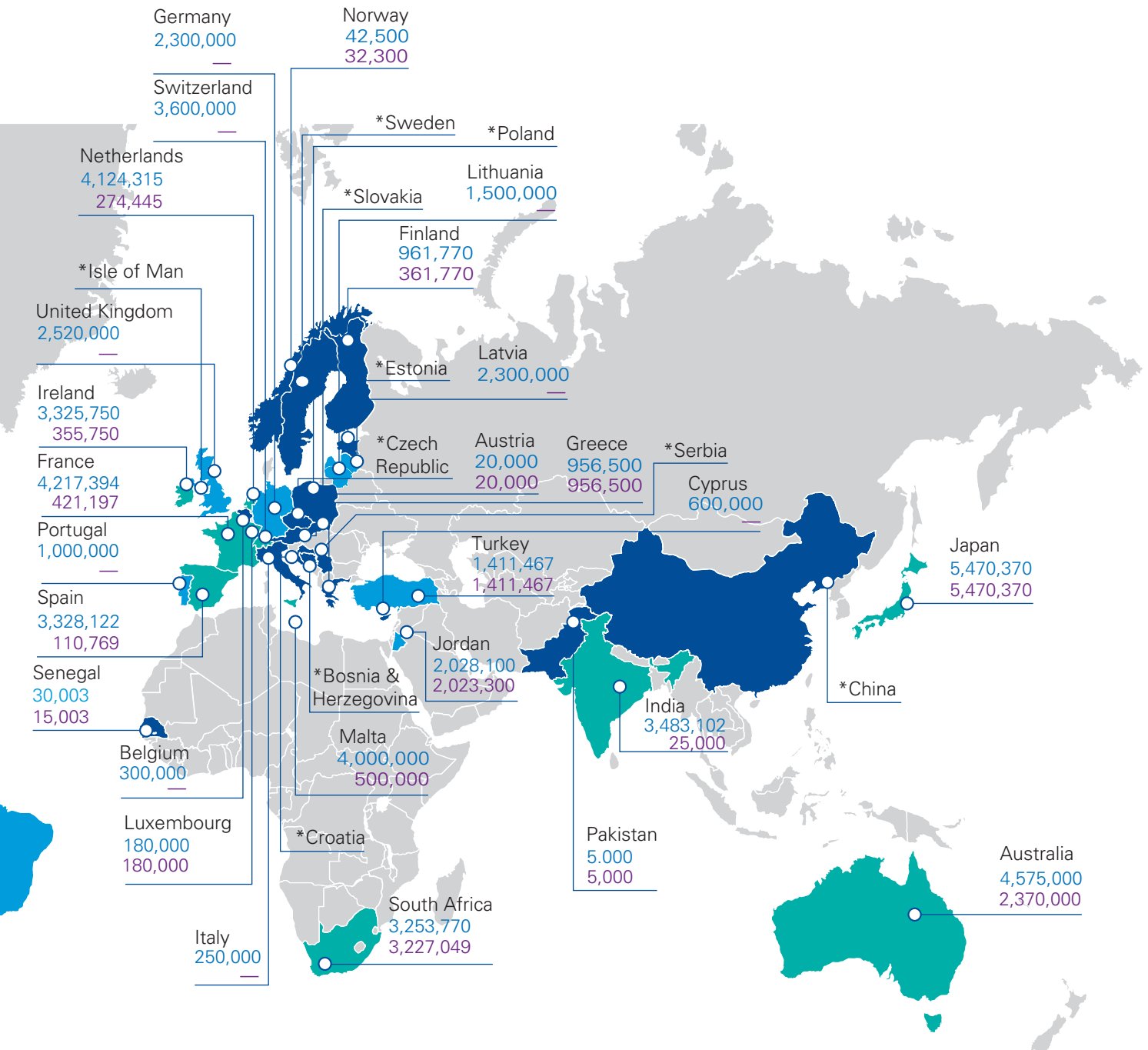
However, in the global tax landscape after the exemptions (Figure 2b), it is only tenth among the countries with the highest taxes.

Spain shows the biggest difference in taxes, with a full exemption reducing the tax bill by €5.38 million where the relevant conditions are met.

Recent changes in the European tax regimes

Since 2013, when the European Family Business Tax Monitor* was conducted, the following changes have occurred:

- *Czech Republic*: gift tax abolished since 2013
- *Finland, Germany, Spain*: tax rates increased since 2013 (either before or after exemptions, or both)
- *Germany*: currently reviewing exemption legislation following the decision of the German courts.



When to pass the family business on?

Comparison between tax on family business transfer upon inheritance or during retirement

While the majority of countries treat gifts on inheritance in no materially worse a way than retirement, certain countries tax gifts on inheritance more harshly than lifetime gifts, reinforcing the need to speak to an adviser so that one is armed with the knowledge of the implications associated with passing on the business at the most appropriate time that suits both the business objectives and those of the family members.

Among these countries are *Belgium, France* and the *US (high tax state)*, which all apply higher taxes on the transfer of the family business on inheritance than on a lifetime transfer. The difference is not insignificant (Belgium — €300,000 France — €421,197 the US (high tax state) — €615,860). Thought should, therefore, be given to advanced planning in these situations to ensure that the tax implications of all available options are understood.

The majority of the surveyed countries (30) apply the same or almost the same (a minimal <€5,000 difference) amount of tax to a family business succession on inheritance and retirement, after the exemptions are considered.

Conversely, 10 countries apply a higher tax on the transfer of a family business on retirement than on inheritance. Of those, *Japan, Jordan, Turkey* and *Australia* all tax lifetime gifts significantly more heavily (an additional €1 million compared to taxes on inheritance) (Table 3). As a result, these countries appear to prefer assets remaining in the hands of the older generation for as long as possible.

Australia provides partial exemptions on retirement transfers, while providing for full exemptions on inheritance. *Luxembourg* applies a gift tax on lifetime transfers with no exemption available, compared to no tax being payable on the transfer of business on inheritance.

The difference in tax treatment of inheritance and lifetime transfers may impact considerably on family's attitude and the owner's decisions about when to transfer the family business.

While from a tax perspective it may be more beneficial to transfer the business to the family members on death rather than during the owner's lifetime, this can lead to the younger generation feeling frustrated that they do not 'own' the business they are

working to help grow. Balancing the need for the older generation to retain ownership while the younger generation runs the business may require tact and compromise from both sides.

Table 3: Comparison of tax implications on inheritance and retirement (after exemptions) for countries with the significantly (over €5,000) higher taxes on retirement transfers

Country	Taxes on inheritance (after exemptions)	Taxes on retirement (after exemptions)	Difference
Australia	—	€2,370,000	€2,370,000
Jordan	—	€2,023,300	€2,023,300
Japan	€3,775,000	€5,470,370	€1,695,370
Turkey	€446,133	€1,411,467	€965,334
Jamaica	€75,184	€300,000	€224,816
Luxembourg	—	€180,000	€180,000
Ireland	€255,750	€355,750	€100,000
South Africa	€3,158,067	€3,227,049	€68,982
India	—	€25,000	€25,000
Senegal	€11	€15,003	€14,992

Source: Global Family Business Tax Monitor, KPMG, March 2016



Conclusion

Family businesses are the backbone of the world's economy. According to the Family Firm Institute, family-owned businesses generate more than 70 percent of global GDP annually and are the optimal vehicle for generating wealth through generations. Given their importance, it is crucial to preserve their long-lasting success.

Governments need to understand that while a fundamental goal of any family business owner is to keep the business within the family and transfer it to the next generation, the level of tax burden may play a significant role in the owner's decision about the future of their business. All this should be taken into consideration by the policymakers when trying to balance the government's interests in the generation of tax from the economy against the need to encourage entrepreneurship and growth.

Our report demonstrates a great variety in tax regimes across countries, even between neighboring jurisdictions, such as the EU countries and North America. Despite the fact that family businesses often have strong geographic roots and tend to be committed to 'giving back' to their local communities, governments need to consider that unfavorable tax policies may influence a business to relocate, impacting the government's local economic growth.

Family businesses should think through their approach and timing of business transition well in advance. By being prepared, families can ensure they understand and, where relevant, qualify for all exemptions and reliefs available. Lack of timely preparation may cost them a considerable sum or even put the ongoing ownership of the business at risk.

We trust that these results have provided an insightful look into the tax regimes and their impact on your family business. We look forward to bringing you further updates.

Thank you,

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Methodology

The Global Family Business Tax Monitor is based on the findings of 42 countries that undertook a taxation review on two scenarios for Oakwood, a family business valued at €10 m. The monitor has explored the effects taxation can have on the transfer of the business to family members upon inheritance and as a lifetime transfer (on retirement).

This is the second monitor of its kind, this time conducted across the globe. The first edition, conducted in 2013 and released in April 2014, examined 23 EU countries. The fundamental cases and methodology have remained the same in order to facilitate comparison of results between the two editions.

Each participating country was given two case studies and a questionnaire to complete providing details on how their country would tax each event. Further research and analysis was then undertaken to highlight key trends in relation to exemptions and reliefs.

The 42 countries engaged in the study are:

Australia	Greece	Norway
Austria	India	Pakistan
Belgium	Ireland	Poland
Bosnia & Herzegovina	Isle of Man	Portugal
Brazil	Italy	Senegal
Canada	Jamaica	Serbia
China	Japan	Slovakia
Croatia	Jordan	South Africa
Cyprus	Latvia	Spain
Czech Republic	Lithuania	Sweden
Estonia	Luxembourg	Switzerland
Finland	Malta	Turkey
France	Mexico	UK
Germany	Netherlands	US

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Country summary notes

Australia

Full exemption on death; partial exemption on lifetime transfers

- While inheritance tax and gift tax are not imposed, deemed income tax is due on both lifetime gifts and gifts on death.
- However, substantial exemptions are available when shares are gifted during an individual's lifetime or on death.
- In order to benefit from the exemption in relation to lifetime gifts, the donor must generally have held the shares for at least 12 months prior to the gift.

Austria

No exemptions available

- Inheritance tax and gift tax were abolished in 2008.
- A reporting obligation exists for lifetime gifts (exempted in relation to gifts to any individual with a cumulative fair market value of €15,000 over a 5-year period). However, transfers between close relatives up to a fair market value of €50,000 per year do not need to be reported (unless the asset is real estate).
- Real estate transfer tax ('RETT') is charged on both gifts made in lifetime and on death. It applies to both directly held land and, in certain scenarios, to shares in a company holding land.
- From 1 January 2016, RETT will be chargeable on the fair market value of such transfers (with transfers between close relatives benefitting from gradually increasing rates up to a maximum of 3.5 percent).

Belgium

Reduced tax rates and partial exemptions available on inheritance; full exemption available on lifetime transfers

- Inheritance tax and gift tax rates depend on the region (Flemish, Walloon or Brussels) where the donor/deceased is domiciled. Our comments and analysis only cover the Flemish region.
- A lifetime gift of shares in a 'family business' is fully exempt from gift tax, irrespective of the recipient.
- On death, transfers of shares in a family-owned business to children, spouses or co-habitants benefit from a reduced

inheritance tax rate of 3 percent (compared to 7 percent inheritance tax in relation to transfers to non-family members). These 'family business' regime inheritance tax rates are lower than the rates applicable to other assets.

- To qualify for the 'family business' regime rates for gift tax or inheritance tax, more than 50 percent of the shares must be fully owned by the donor/deceased (with certain circumstances permitting a 30 percent holding to qualify) and his family at the time the transfer occurs.
- In addition to the above requirement, the company must carry on an industrial, artisanal or agricultural activity, perform a real economic activity and have its centre of effective management in the European economic area.
- The company must continue to fulfill these requirements (and not decrease its capital) for 3 years post the transfer in order for the transfer to benefit from the 'family business' regime rates.

Bosnia & Herzegovina

No tax applicable

- Bosnia is divided into two administrative and territorial entities ('RS' and 'FBiH'), which respectively tax individuals or entities resident in their territory.
- There is no inheritance tax, wealth or gift tax in either of the two administrative and territorial entities RS and FBiH.

Brazil

No exemptions available

- Lifetime transfers and transfers on death are taxed under the laws of each state, rather than federal law. The rules summarized here relate to the state of Sao Paulo.
- Inheritance tax and gift tax are charged respectively to transfers on death and during lifetime.
- In addition, in relation to both transfers on death and lifetime gifts, if the asset has increased in value since the date of gift/transfer on death, capital gains tax is due on the growth in value. Each situation should be analyzed separately.
- The tax due has been calculated under the rules in place in 2015.

Canada



Partial exemptions available

- Inheritance tax and gift tax are not levied in Canada.
- However, Canada taxes the 'deemed gain' on gains that accrue from the time of acquisition until either gift or transfer on death.
- Deemed gains arising from gifts and transfers on death may both benefit from a once in a lifetime CAD \$830,000 'active company exemption' which, if not used fully during lifetime, can be utilized on deemed gains which are taxable on death.
- In order to qualify for this exemption, the shares transferred by gift or on death must be in a company which is actively carrying on a business (with more than 50 percent of such business carried on in Canada) and which utilizes more than 90 percent of its assets in its trade or active business.

China



No tax applicable

- China has no inheritance tax or gift tax in relation to transfers on death and lifetime transfers.
- No other tax is applicable in this scenario.

Croatia



No tax applicable

- While Croatia has inheritance tax and gift tax, in relation to shares in a limited company, lifetime gifts or transfers on death are not covered by such legislation.
- No other tax is applicable in this scenario.

Cyprus



Full exemptions available

- Cyprus has no inheritance or gift tax.
- Capital gains tax at 20 percent is imposed on the seller when immovable property located in Cyprus is sold or when private company shares which involve immovable property located in Cyprus are sold.
- However, a full exemption from capital gains tax applies to a gift made from a parent to a child, in respect of immovable property located in Cyprus.

Czech Republic



Full exemptions available

- No inheritance tax or gift tax is due, as these were abolished in 2014.
- Lifetime gifts and gifts on death are treated as income and subject to income tax.
- However, gifts on death, regardless of the recipient, qualify for full exemption under the income tax regime.
- Lifetime gifts are subject to income tax at 15 percent. However, provided the company continues to be operated, close relatives will receive a full exemption under the income tax regime.

Estonia



Minimal tax applicable

- Estonia has no inheritance tax and gift tax.
- A low level state tax (in this scenario €18) is due as part of the procedure of changing the share ownership.

Finland



Partial exemptions available for lifetime transfers and transfers on death

- Inheritance tax and gift tax apply (although exemptions are available).
- The rate of inheritance tax or gift depends on the proximity of relationship between the deceased/donor and the beneficiary/donee and the value of the estate/gift.
- Inheritance tax and gift tax rates are progressive, within a maximum rate of 20 percent for values in excess of €1 million (for near relatives). Business values for these purposes exclude the goodwill value.
- The exemptions above only apply if the company's profits are taxed in Finland as business income and the recipient is a director of the business who carries the business on.
- If the exemptions do not apply, then the transfer will be subject to gift tax or inheritance tax on the full market value (calculated according to the methods of the Finnish Tax Authorities).

Country summary notes

France

Partial exemptions available

- Inheritance tax and gift tax applies to transfers on death and lifetime transfers respectively.
- However, a 75 percent exemption applies for transfers on death and lifetime transfers of business shares and business assets (regardless of the identity of the donor and recipient), provided that the shares have been held for 2 years prior to the transfer (and continue to be held for 4 years post transfer). In addition, at least one of the beneficiaries must run the business for 3 years post the transfer.
- In addition, for lifetime transfers, a further 50 percent exemption is available if the donor is under the age of 70.
- If shares in a holding company are transferred, the holding company should be a 'managing holding company' which actively participates in group strategy, controls its subsidiaries and can provide services to the group.

Germany

Full exemptions available

- Inheritance tax and gift tax applies to transfers on death and lifetime transfers respectively.
- However, a 100 percent exemption applies for transfers on death and lifetime transfers of business shares (regardless of who the donor and recipient are), provided the business is continued for 7 years, the sum of salaries in those 7 years is not lower than 700 percent of the average salary in the 5 years before the transfer and no more than 10 percent of relevant business assets qualify as 'passive assets'.
- An 85 percent exemption applies for transfers on death and lifetime transfers of business shares (regardless of who the donor and recipient are), provided the business is continued for 5 years, the sum of the salaries in those 5 years is not lower than 400 percent of the average salary in the 5 years before the transfer and no more than 50 percent of relevant business assets qualify as 'passive assets'.
- If such exemptions do not apply, transfers on death and lifetime transfers between parents and children are subject to gift tax/inheritance tax on an increasing basis depending upon the value transferred, with a top rate of 30 percent.

- However, the aforementioned exemptions for gifts/inheritorships of businesses have been deemed to be unconstitutional. The legislation governing the above must be amended by 30 June 2016, so specific, current advice should be sought.

Greece

No exemptions but reduced tax rates available

- Inheritance tax and gift tax are charged respectively to transfers on death and during lifetime.
- Tax rates for both inheritance tax and gift tax depend on the proximity of the relationship between the deceased/donor and the beneficiary/donee and the value of the estate/gift received.
- The tax rate is reduced for 'first degree' relatives; i.e. spouses, co-habitants, children, grandchildren and parents.
- Specific rules govern the calculation of business values for transfers on death or lifetime gifts.
- The figures reflect the assumption that none of the lifetime donations/inheritance tax relief has been used previously.

India

Full exemption on inheritance; partial exemption on lifetime transfers

- Transfers on death are not subject to inheritance tax.
- Wealth tax has been repealed from financial year 2015–2016.
- There is no gift tax in India which is levied on the donors. However, gifts are taxed as income in the hands of the recipient (other than gifts to qualifying relatives that are exempt from recipient-based income tax)
- Stamp duty is levied on any instruments of transfer, such as immovable property, securities, etc. Generally, there is no stamp duty exemption on transfer of property among blood relatives unless exempted by a particular State.

Ireland



Partial exemptions available on lifetime transfers and transfers on death

- Inheritance tax and gift tax applies to transfers on death and lifetime transfers. If the shares qualify under the business property exemption, 90 percent of the value transferred is exempt from inheritance tax and gift tax respectively. In addition, the first €280,000 (either during life time or on death) gifted from a child's parents is free of inheritance tax or gift tax.
- Lifetime transfers are also subject to real estate transfer tax and capital gains tax.
- The disponent may benefit from a full exemption from capital gains tax if the transfer meets the conditions for retirement relief, which include, inter alia, a requirement for the transferor to be between the ages of 55 and 65. To the extent retirement relief does not fully exempt the deemed gain, it is subject to tax at 33 percent. If retirement relief does not apply, it may be possible to avail of entrepreneurs' relief, which would provide for a reduced capital gains tax rate of 20 percent on disposals of qualifying business assets made on or after 1 January 2016. There is currently a lifetime limit of €1 million on gains which may qualify for the reduced rate, with any gain exceeding €1 million being taxed at the 33 percent rate. Specific advice should be sought as the interaction of these rules is complex.

Isle Of Man



No tax applicable

- The Isle of Man has no inheritance tax or gift tax.
- No other tax is applicable in this scenario.

Italy



Full exemptions available

- Inheritance tax and gift tax were reintroduced in 2006.
- However, transfers on death or during lifetime (to a spouse or a direct descendant) of shares in a company are exempt from inheritance tax or gift tax provided the business is continued or controlled by said spouse or descendant for at least 5 years (and a declaration is issued in this regard).

- If these conditions are not met, inheritance tax or gift tax of 4 percent on the value of the business exceeding €1 million is applicable. Inheritance/gift tax rates increase up to a maximum of 8 percent should the beneficiary not be a spouse or direct descendant.

- Transfers of real estate are subject to Real Estate Transfer tax at 3 percent if specific exemptions are not applied (including, but not limited to, the family exemption for transfers during lifetime or on death referred to above).

Jamaica



Minimal tax due

- Jamaica has no inheritance tax or gift tax in relation to transfers on death or lifetime transfers.
- However, transfer tax is due at a flat rate of 1.5% on the market value of the shares transferred on death. The market value for these purposes is the Net Asset Value of the company, which is typically based on its most recent audited financial statements. If the shares are the only assets of the estate, the tax is imposed on the Net Asset Value less J\$100,000. The transfer tax on lifetime transfers of shares is imposed on the higher of the market value of the shares (based on the company's Net Asset Value) or the actual price for the transfers.
- Stamp duty is also due on lifetime transfers of shares at a flat rate of 1% and on share transfers at death (at flat rates based on graduated estate value bands).

Japan



No exemptions available

- Inheritance tax and gift tax apply to transfers on death and lifetime transfers respectively with no exemptions available.
- The value of the asset which is subject to these taxes is determined in accordance with the evaluations rulings issued by the National Tax Agency.

Country summary notes

Jordan



Full exemptions available on inheritance; limited exemptions available on lifetime gifts

- Jordan has no inheritance tax or gift tax in relation to transfers on death or lifetime transfers.
- However, lifetime gifts are subject to income tax on their market value. In addition, each individual is permitted an annual exemption amount (dependent upon their marital status, their spouse's income and their tax residency). The level of exemption depends upon the recipient's marital status and their spouse's income levels.
- Stamp duty is due at 0.3 percent in relation to lifetime transfers.

Latvia



No tax applicable

- Latvia has no inheritance tax or gift tax.
- While personal income tax is levied on lifetime gifts to non-close relatives at 23 percent (with an annual exemption of €1425), gifts to close relatives are exempted from the personal income tax.

Lithuania



Full exemptions available

- Lifetime transfers and transfers on death are subject to personal income tax and inheritance tax respectively.
- However, Lithuania provides for a full exemption for lifetime transfers and transfers on death when they are made between close family members.

Luxembourg



Full exemptions available on inheritance

- Inheritance tax and gift tax, on transfers on death and lifetime transfers respectively, are charged at progressive rates, the level of which depends upon the relationship between donor and recipient (with a surcharge based on the value of the transferred assets).
- Inheritances to direct descendants are free from inheritance tax to the extent that the gift value does not exceed the amount that would have been received on intestacy.

- For lifetime gifts rates of gift tax between 1.8 percent to 2.4 percent applies for gifts to direct descendants and ascendants.

Malta



Partial exemptions available

- Inheritance tax and gift tax are not applicable in Malta.
- However, Malta imposes income tax on the donor on a 'deemed capital gain' on a lifetime gift, but offers a full exemption where the recipient is the spouse, descendant and ascendant in the direct line and their relatives, spouses. Should the donor have no descendants, lifetime gifts to brothers or sisters and their descendants are eligible for the full exemption.
- Duty on documents and transfers (in relation to transfers made during lifetime and on death) is payable by the recipient at 2 percent or 5 percent. The 5 percent rate applies if immovable property is being transferred (or if the shares being transferred are in a company in which 75 percent or more of the assets excluding all current assets other than immovable property are either immovable property or rights over immovable property).

Mexico



Partial exemptions available

- While inheritance tax and gift tax is due in relation to transfers on death and lifetime transfers respectively, a full exemption is given, provided that the transfer is declared to the authorities and the recipient is fully compliant in their declaration of other income.
- However, certain states also impose in addition 'capital transfer tax' on lifetime transfers and transfers on death. The figures utilized assume residence in a State where this applies.
- Furthermore, capital gains tax will be imposed when the recipient of a transfer on death sells the shares in the future, utilizing the deceased's original acquisition value and date for the calculation.

Netherlands



Partial exemptions available

- Inheritance tax and gift tax apply to transfers on death and lifetime transfers respectively.
- However, provided the conditions of the 'business transfer exemption' are met, this provides a substantial exemption on the inheritance tax or gift tax due. The rules regarding this exemption are detailed and somewhat complex.
- In addition, personal income tax will be imposed on both lifetime gifts and transfers on death. However, should the 'business transfer exemption' be met, the personal income tax will be fully deferred in both types of transfers.

Norway



Partial exemptions available

- Inheritance tax and gift tax is not applicable in Norway.
- However, an annual wealth tax is imposed on the owner of shares as at 31 December each year, with each resident able to claim a basic exemption amount. We have, therefore, included this as a cost created by both the transfer on death and lifetime transfer.
- We have used the wealth tax rate and exemption amount as at 2015, but these will alter slightly in 2016.

Pakistan



Minimal tax due

- Pakistan does not have inheritance tax or gift tax.
- However, stamp duty is imposed on the issued value of the shares.

Poland



Full exemptions available

- Inheritance tax and gift tax are applicable.
- Transfers during lifetime and on death to spouses, descendants and ascendants are exempt from inheritance tax or gift tax if declared to the respective tax office within 6 months.
- If the recipient of a lifetime gift takes on the company's full debt (compared to the standard practice of the donor/

recipient sharing joint and several liability for the company's debts), as a rule a civil law transactions tax of 2 percent or 1 percent is due on the value of such debt.

Portugal



Full exemptions available

- Inheritance tax and gift tax were abolished in Portugal in 2004.
- However, a base stamp duty of 10 percent is charged on transfers made on death and lifetime transfers. Should the asset transferred be immovable property (including such property held by a company), an additional stamp duty charge of 0.8 percent will apply on the value of such property.
- Provided the recipients are spouses, descendants and ascendants, the base stamp duty is exempted for transfers on death and lifetime transfers. However, if the asset transferred is immovable property (including such property held by a company), the additional stamp duty is imposed.

Senegal



Limited tax due on transfer on death, partial exemption on lifetime transfer

- Transfers of business assets on death are subject to a fixed level of inheritance tax (irrespective of value). This fixed level tax applies provided the heirs are committed to continue the business for at least 3 years.
- Lifetime transfers benefit to gift tax, with an automatic lifetime exempt amount being applied.
- Stamp duty is applicable to both lifetime transfers and transfers on death.

Serbia



No tax applicable

- No inheritance tax or gift tax is due on transfers of company shares, whether the transfer is a lifetime transfer or a transfer on death.
- There are certain administration fees imposed on both lifetime transfers and transfers on death, in order to process the change of share ownership.

Country summary notes

Slovakia

No tax applicable

- Inheritance and gift tax were abolished in Slovakia in 2004.
- No other tax is applicable.
- If the gift or transfer was not a true gift but given in connection with an entrepreneurial or dependent activity of the individuals, the transfer may be re-classified as income and taxed accordingly.

South Africa

Partial exemptions available

- Inheritance tax and gift tax are due in relation to transfers on death and lifetime transfers respectively, with automatic partial exemptions applying to both.
- South Africa also imposes income tax (in the form of capital gains tax) on the gain in relation to both transfers on death and lifetime transfers.
- In addition, securities transfer tax applies to lifetime gifts to the extent such gifts represent securities in corporate entities but is automatically fully exempted in relation to transfers on death.

Spain

Partial exemptions available

- In relation to transfers on death, inheritance tax is due. There is a low level general exemption amount for descendants/ascendants receiving assets.
- In addition, there is a substantial exemption for transfers of family business assets on death. This exemption generally requires the recipient to continue to hold the assets for 5 years, with any acts which might lead to a significant decrease in the shares' value during those 5 years being prohibited.
- In relation to lifetime transfers, gift tax (recipient's liability) and personal income tax (donor liability) is due. (Personal income tax does not apply if cash, rather than assets, is gifted).
- However, a 95 percent reduction in relation to gift tax and a complete exemption to personal income tax is given if the 'family business lifetime gift exemption' conditions are met.

- In general the donor needs to be over the age of 65, cease working in the management of the business, the business has to be exempt from wealth tax (which includes a minimum shareholding provision) and continue to be so for 5 to 10 years and any acts which might lead to a significant decrease in the shares' value during those 5 to 10 years are prohibited. The length of time is dependent upon the autonomous region's own rules.
- Advice should always be sought as to whether an autonomous region has altered these provisions.

Sweden

No tax applicable

- Sweden has no inheritance tax or gift tax.
- No other tax is applicable in this scenario.

Switzerland

Full exemptions apply

- Inheritance tax and gift tax are governed by the respective cantons in Switzerland. The majority of the cantons fully exempt lifetime transfers and transfers on death between parents and children.
- Whilst the respective rules differ significantly between cantons, we have analyzed the scenario on the assumption it occurred in Zurich.
- Please note that the cantons of Appenzell, Innerrhoden, Lucerne, Neuchâtel, Solothurn and Vaud levy inheritance tax on transfers to children.
- Specific advice should always be sought in the relevant canton.

Turkey

Partial exemptions available

- Inheritance tax and gift tax apply in relation to transfers on death and lifetime transfer respectively.
- Automatic exemptions apply to both types of transfer to reduce the inheritance tax or gift tax due.
- In relation to lifetime transfers only, stamp duty also applies.

United Kingdom



Full exemption on death; partial exemption or full deferral on lifetime transfers

- Inheritance tax applies in relation to transfers on death.
- However, a 100 percent exemption applies to shares which meet the criteria for business property relief, which have been held by the donor for 2 years. The level of cash within a company may restrict the availability of the relief. In addition, each individual has an exempt allowance for use on death or during lifetime (in the case of lifetime gifts, the allowance is on seven year rolling basis).
- In relation to lifetime transfers, inheritance tax does not apply if the donor survives by 7 years and the gift was to an individual. However, the donor is deemed to receive market value for a gift and is subject to capital gains tax.
- Capital gains tax on lifetime transfers can either be fully deferred (with the recipient taking on the donor's base cost, provided certain conditions are fulfilled) or reduced to 10 percent under entrepreneurs' relief (subject to a maximum lifetime gain of £10 million), with each individual also receiving an annual allowance of £11,100.
- Furthermore, lifetime gifts of shares to individuals who work in the same business may potentially be taxed as income (at a maximum rate of 45 percent). However, gifts between family members where the gift is due to family relations and not due to any employment are fully exempted.
- Specific advice should be sought as the reliefs carry complex conditions.

inheritance tax. In addition, federal tax also imposes estate tax (although credit is given for the New Jersey state estate tax).

- In relation to lifetime transfers, New Jersey state tax applies estate transfer tax. In addition, federal tax also imposes gift tax.
- Both federal taxes and state taxes give each individual exempt allowances (to be used on death or during lifetime) in relation to lifetime transfers and transfers on death.
- Specific advice should be sought from the relevant state.

USA – Low Tax State



Partial exemptions available for transfers on death and lifetime transfers

- Residents of a low tax state are generally subject only to federal tax, although some low tax states also impose low levels of state tax/gift tax.
- This analysis assumes residence in a low tax state which only imposes federal tax.
- Transfers on death are subject to estate tax and lifetime transfers are subject to gift tax, with each individual having an exempt allowance (to be used on death or during lifetime).
- Specific advice should be sought from the relevant state.

USA – New Jersey – High Tax State



Partial exemptions available for transfers on death and lifetime transfers

- For the purposes of showing a high tax state New Jersey has been used.
- Residents of a high tax state such as New Jersey are subject to both state taxes and federal taxes.
- In relation to transfers on death, New Jersey state tax applies real estate transfer tax and estate tax. New Jersey also imposes an inheritance tax but when the beneficiaries are considered Class A beneficiaries (including but not limited to spouse, parents and children) they are exempt from the

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