



UK and Ireland levy highest rates of IHT in the world

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The UK and Ireland levy the highest rates of inheritance tax in the world, with rates many times higher than the global average, according to a recent study.

International accountancy network UHY, said Ireland will typically take 26% and the UK 25.8% from the estate of an individual passing on an estate worth \$3m (£1.8m, €2.2m), well above the global average of 7.67%. For UK individuals who have never married this figure rises significantly to 32.9%.

European countries in general levy the highest inheritance taxes of all, with EU countries in the study taking 14% tax on the inheritance of a property worth \$3m. On a property worth \$350,000 however, the difference is narrower, with European countries taking an average of 2.5% inheritance or estate tax, compared with a global average of 1.9%.

Last Monday, UK Prime Minister [David Cameron renewed a Conservative party pledge to increase the level of IHT](#) from its current £325,000, which has been in place since April 2009 and is actually now below the London house price average of £409,881, and not far above the UK average house price of £250,000, to £1m. However, UHY said it expects the level to remain at £325,000 until at least April 2018.

UHY explained that, in contrast, emerging economies have traditionally not imposed inheritance and estate taxes as "they are sometimes seen as discouraging wealth creation and because many emerging market economies have tried to keep their tax systems relatively simple. For example, China, India and Russia all have no inheritance tax.

Interestingly, a number of developed countries, including Australia, Israel and New Zealand, have chosen to abolish inheritance and estate taxes in order to create simpler tax systems and encourage the creation of wealth, whether through investment or entrepreneurship.

Taxing aging populations

Ladislav Hornan, chairman of UHY, said: "Many emerging economies are especially keen to encourage wealth creation, and very low, or no, inheritance tax is seen as an important way to do that.

"Not only are individuals more incentivised to earn more in order to pass it on to the next generation, but inheritances are themselves often a crucial source of funding for new businesses, especially in countries where there is less bank finance available."

"In established European economies, by contrast, governments are becoming increasingly reliant on the substantial income streams generated by inheritance tax. It can also be seen as a way of creating tax revenues from ageing populations: retirees frequently have lower levels of taxable income, but substantial assets such as mortgage-free homes."

[Click here to see a list of ten of the most expensive places on earth for IHT](#)

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