Countries That Levy Inheritance & Estate Tax

Inheritance and estate taxes are levied across major world regions, though coverage and rates vary significantly. Some countries use alternative mechanisms — such as Canada's deemed disposition rule — rather than a direct inheritance tax.

Europe

UK, France, Germany, Spain, Belgium, Netherlands, Ireland, Italy, Greece, Denmark, Finland, Luxembourg, Iceland, Switzerland (canton-based), Portugal, Poland, Hungary, Croatia, Bulgaria, Slovenia, Lithuania

Asia

Japan, South Korea, Taiwan, Philippines, Turkey, Thailand (high threshold cases)

America

United States, Brazil, Chile, Colombia, Ecuador

Africa

South Africa, Botswana, Zimbabwe, Angola, Cameroon, Equatorial Guinea, Mozambique

Top Inheritance Tax Rates Worldwide

Rates vary widely by jurisdiction and often depend on the relationship between the deceased and the heir.

Country	Top Rate	Key Notes
Japan	Up to 55%	Among the highest headline rate globally; highly progressive structure
South Korea	Up to 50% (~60% with surcharges)	Progressive; higher effective burden for large business holdings
France	Up to 45% (relatives); 60% (unrelated)	Strongly relationship-based taxation
Germany	7% – 50%	Depends on relationship; ~€500,000 spouse exemption
United Kingdom	40%	Above £325,000 nil-rate band; spouse exemption available
United States	40% (federal) Plus states additional	15M exemption
Turkey	1%–10% (inheritance); 10%–30% (gifts)	Progressive; separate gift tax scale
Philippines	6% (flat)	Levied on net estate after allowable deductions
Thailand	5% – 10%	Applies only above THB 100 million threshold

Countries With No Inheritance Tax

A significant number of countries have abolished or never imposed inheritance or estate taxes, making them attractive from an estate planning perspective. Many are major financial centers or emerging economies.

✓ Advanced Economies

- ✓ Sweden
- ✓ Malta
- ✓ Norway
- ✓ Cyprus
- ✓ Austria
- ✓ Israel
- ✓ Singapore
- ✓ Mexico
- ✓ Hong Kong
- ✓ New Zealand
- ✓ UAE

✓ Emerging Economies

- ✓ India
- ✓ Tunisia
- ✓ Kenya
- ✓ Algeria
- ✓ Ghana
- ✓ Namibia
- ✓ Nigeria
- ✓ Zambia
- ✓ Pakistan
- ✓ Uganda
- ✓ Bangladesh
- ✓ Tanzania
- ✓ Egypt
- ✓ Malaysia
- ✓ Morocco
- ✓ Indonesia

Special Case: Canada

Canada has **no inheritance or estate tax**, but uses a unique "deemed disposition" rule that can trigger significant tax liability at death.

Deemed Disposition Rule

At death, the deceased is treated as having **sold all capital property at fair market value** immediately before death. Capital gains tax is charged on the resulting gain, payable from the estate.

Tax Treatment of the Gain

Only **50% of the total deemed capital gain** is added to the deceased's final tax return. The remaining 50% becomes tax-free — a significant partial relief compared to full taxation.

Practical Implication

While there is no formal estate tax, large portfolios of appreciated assets can generate substantial capital gains tax liability at death — effectively functioning as a form of estate taxation.

U.S. Estate Tax vs. Inheritance Tax

The United States distinguishes between two fundamentally different taxes on wealth transfers at death. Understanding this distinction is critical for estate planning.

Estate Tax

- Tax imposed on the **transfer of assets upon death**
- Paid by the **estate** before assets are distributed
- Levied mainly at the **Federal level**; certain states also impose estate tax
- Tax on the **estate itself**

Inheritance Tax

- Tax imposed by States on the **recipient** of inherited assets
- Paid by the **beneficiary** receiving the inheritance
- **No Federal** inheritance tax in the U.S.
- Tax on the **heir/beneficiary**

Key Difference: Estate tax is a tax on the estate before transfer; inheritance tax is a tax on the heir after receiving the transfer.

USA Federal Estate Tax: Basic Framework

The U.S. federal estate tax applies to estates exceeding a high exemption threshold. Rates are progressive, and exemptions differ dramatically based on citizenship and domicile status.

$15M

Single Exemption

US citizens & domiciled persons (incl. Green Card holders); ~$30M for married couples via portability

$60,000

Non-US Exemption

Non-US citizens / non-domiciled individuals face a significantly lower exemption

40%

Max Federal Rate

Progressive rates from 18% to 40%; maximum marginal rate is 40%

Computation: Gross Estate − Deductions − Exemption/Unified Credit = Taxable Estate × Applicable Tax Rate = Estate Tax

USA Exemptions & Deductions

Unified Credit / Lifetime Exemption

USD 15 million single lifetime exemption applies collectively to taxable gifts during life and transfers at death. Lifetime taxable gifts reduce the exemption available at death.

Example: Lifetime gifts of $4M → remaining exemption at death = $11M

Annual Gift Tax Exclusion

USD 19,000 per recipient per year (2025 onwards). Gifts within this limit incur no gift tax and do not reduce the $15M lifetime exemption.

Example: $19K to son + $19K to daughter = $38K transferred tax-free without consuming lifetime exemption.

Marital Deduction & QDOT

General Rule: Transfers to a **U.S. citizen spouse** qualify for an unlimited marital deduction. If the surviving spouse is **not a U.S. citizen**, the unlimited deduction is not available.

QDOT (Qualified Domestic Trust): Allows estate tax **deferral** for assets transferred to a non-U.S. citizen spouse. QDOT defers — but does not eliminate — tax. Estate tax may become payable upon principal distributions and/or death of the surviving spouse.

State Estate & Inheritance Taxes

Several U.S. states impose additional estate or inheritance taxes on top of the federal 40%. Combined rates are approximate — state estate tax is deductible when computing federal taxable estate.

State	Federal	State Estate	Combined Top	Inheritance Tax
Connecticut	40%	12%	~47%	NA
Hawaii	40%	20%	~52%	NA
Illinois	40%	16%	~50%	NA
Maine	40%	12%	~47%	NA
Maryland	40%	16%	~50%	Spouse/close relatives exempt; others 10%. Only state with both estate & inheritance tax
Massachusetts	40%	16%	~50%	NA
Minnesota	40%	16%	~50%	NA
New York	40%	16%	~50%	NA
Oregon	40%	16%	~50%	NA
Rhode Island	40%	16%	~50%	NA
Vermont	40%	16%	~50%	NA
Washington	40%	20%	~52%	NA
District of Columbia	40%	16%	~50%	NA
Pennsylvania	40%	NA	40%	Spouse 0%; children 4.5%; siblings 12%; others 15%
Kentucky	40%	NA	40%	Class A exempt; Class B 4%–16%; Class C up to 16%
Nebraska	40%	NA	40%	Close relatives 1% (spouse exempt); aunts/uncles 11%; unrelated 15%
New Jersey	40%	NA	40%	Class A exempt; siblings 11%–16%; others 15%–16%

UK Inheritance Tax

- Inheritance Tax (IHT) is a tax on the estate (i.e property, money, and possessions of someone who has died), and in certain cases, on lifetime gifts.
- Unlike the USA, the UK does not have a separate Estate Tax. The standard IHT rate is **40%.**
- The estates leaving 10% or more of the net value to charity may qualify for a reduced rate of **36%**.

UK Basic Framework: Allowances & Thresholds

40%

Standard IHT Rate

Reduced to 36%, if 10% or more of the net estate is left to charity.

£3,25,000

Nil Rate Band (NRB)

Tax-free threshold available to all individuals, irrespective of residential status.

£1,75,000

Residence Nil Rate Band (RNRB)

Available when a qualifying residence passes to direct descendants.

Where the net estate exceeds £2 million, the RNRB reduces by £1 for every £2 above this threshold. Exemption fully eliminated once the estate exceeds approximately £2.35 million.

£1M

Combined Spousal Allowance

Up to £500,000 per person (NRB + RNRB). Unused NRB and/or RNRB on the first spouse's or civil partner's death can be transferred to the surviving spouse/civil partner, allowing a combined allowance of up to £10,00,000 on the second death.

A **qualifying residence** means the home of a UK resident passed to their children — including adopted, foster, or stepchildren. Net value is the estate's total value minus any debts.

UK Resident vs Non-UK Resident

IHT exposure differs significantly depending on residential status. Long-term UK residents (those UK tax resident for **10 out of the previous 20 tax years**) are exposed to worldwide assets, whilst non-UK residents are generally taxed on UK assets only.

Criteria	UK Resident / Long-Term Resident (LTR)	Non-UK Resident
Scope of Taxation	Exposed to worldwide assets	UK assets only
Assets Situated in UK	Taxable	Taxable
Assets Situated Outside UK	Taxable	Generally outside scope
Spouse Exemption	Available	Available
Charity Exemption	Available	Available

UK Lifetime Gifts

Understanding the tax implications of lifetime gifts is crucial for effective IHT planning. Certain gifts are exempt, while others may be subject to IHT depending on the timing and recipient.

Type of Gift	Treatment	Rule
Gift to Individual	Potentially Exempt Transfer (PET)*	Exempt if donor survives 7 years after gift.
Gift into Trust	Chargeable Lifetime Transfer (CLT)	Attracts lifetime IHT charge @20%.
Annual Gift Exemption	Exempt up to limit	£3,000 per year.

*A gift to an individual is generally treated as a PET and does not attract immediate IHT. However, it may fail to qualify as a PET and be treated as a CLT in cases involving indirect transfers, lack of outright ownership, or where the individual acts in a representative capacity.