



INTERNATIONAL JOURNAL FOR LEGAL RESEARCH AND ANALYSIS

Open Access, Refereed Journal Multi Disciplinary
Peer Reviewed Edition :

www.ijlra.com

DISCLAIMER

No part of this publication may be reproduced or copied in any form by any means without prior written permission of Managing Editor of IJLRA. The views expressed in this publication are purely personal opinions of the authors and do not reflect the views of the Editorial Team of IJLRA.

Though every effort has been made to ensure that the information in Volume 2 Issue 7 is accurate and appropriately cited/referenced, neither the Editorial Board nor IJLRA shall be held liable or responsible in any manner whatsoever for any consequences for any action taken by anyone on the basis of information in the Journal.

Copyright © International Journal for Legal Research & Analysis

IJLRA

EDITORIAL TEAM

EDITORS

Megha Middha



Megha Middha, Assistant Professor of Law in Mody University of Science and Technology, Lakshmangarh, Sikar

Megha Middha, is working as an Assistant Professor of Law in Mody University of Science and Technology, Lakshmangarh, Sikar (Rajasthan). She has an experience in the teaching of almost 3 years. She has completed her graduation in BBA LL.B (H) from Amity University, Rajasthan (Gold Medalist) and did her post-graduation (LL.M in Business Laws) from NLSIU, Bengaluru. Currently, she is enrolled in a Ph.D. course in the Department of Law at Mohanlal Sukhadia University, Udaipur (Rajasthan). She wishes to excel in academics and research and contribute as much as she can to society. Through her interactions with the students, she tries to inculcate a sense of deep thinking power in her students and enlighten and guide them to the fact how they can bring a change to the society

Dr. Samrat Datta

Dr. Samrat Datta Seedling School of Law and Governance, Jaipur National University, Jaipur. Dr. Samrat Datta is currently associated with Seedling School of Law and Governance, Jaipur National University, Jaipur. Dr. Datta has completed his graduation i.e., B.A.LL.B. from Law College Dehradun, Hemvati Nandan Bahuguna Garhwal University, Srinagar, Uttarakhand. He is an alumnus of KIIT University, Bhubaneswar where he pursued his post-graduation (LL.M.) in Criminal Law and subsequently completed his Ph.D. in Police Law and Information Technology from the Pacific Academy of Higher Education and Research University, Udaipur in 2020. His area of interest and research is Criminal and Police Law. Dr. Datta has a teaching experience of 7 years in various law schools across North India and has held administrative positions like Academic Coordinator, Centre Superintendent for Examinations, Deputy Controller of Examinations, Member of the Proctorial Board



Dr. Namita Jain



Head & Associate Professor

School of Law, JECRC University, Jaipur Ph.D. (Commercial Law) LL.M., UGC -NET Post Graduation Diploma in Taxation law and Practice, Bachelor of Commerce.

Teaching Experience: 12 years, AWARDS AND RECOGNITION of Dr. Namita Jain are - ICF Global Excellence Award 2020 in the category of educationalist by I Can Foundation, India. India Women Empowerment Award in the category of "Emerging Excellence in Academics by Prime Time & Utkrisht Bharat Foundation, New Delhi.(2020). Conferred in FL Book of Top 21 Record Holders in the category of education by Fashion Lifestyle Magazine, New Delhi. (2020). Certificate of Appreciation for organizing and managing the Professional Development Training Program on IPR in Collaboration with Trade Innovations Services, Jaipur on March 14th, 2019

Mrs.S.Kalpana

Assistant professor of Law

Mrs.S.Kalpana, presently Assistant professor of Law, VelTech Rangarajan Dr. Sagunthala R & D Institute of Science and Technology, Avadi. Formerly Assistant professor of Law, Vels University in the year 2019 to 2020, Worked as Guest Faculty, Chennai Dr.Ambedkar Law College, Pudupakkam. Published one book. Published 8 Articles in various reputed Law Journals. Conducted 1 Moot court competition and participated in nearly 80 National and International seminars and webinars conducted on various subjects of Law. Did ML in Criminal Law and Criminal Justice Administration. 10 paper presentations in various National and International seminars. Attended more than 10 FDP programs. Ph.D. in Law pursuing.



Avinash Kumar



Avinash Kumar has completed his Ph.D. in International Investment Law from the Dept. of Law & Governance, Central University of South Bihar. His research work is on "International Investment Agreement and State's right to regulate Foreign Investment." He qualified UGC-NET and has been selected for the prestigious ICSSR Doctoral Fellowship. He is an alumnus of the Faculty of Law, University of Delhi. Formerly he has been elected as Students Union President of Law Centre-1, University of Delhi. Moreover, he completed his LL.M. from the University of Delhi (2014-16), dissertation on "Cross-border Merger & Acquisition"; LL.B. from the University of Delhi (2011-14), and B.A. (Hons.) from Maharaja Agrasen College, University of Delhi. He has also obtained P.G. Diploma in IPR from the Indian Society of International Law, New Delhi. He has qualified UGC - NET examination and has been awarded ICSSR - Doctoral Fellowship. He has published six-plus articles and presented 9 plus papers in national and international seminars/conferences. He participated in several workshops on research methodology and teaching and learning.

ABOUT US

INTERNATIONAL JOURNAL FOR LEGAL RESEARCH & ANALYSIS
ISSN

2582-6433 is an Online Journal is Monthly, Peer Review, Academic Journal, Published online, that seeks to provide an interactive platform for the publication of Short Articles, Long Articles, Book Review, Case Comments, Research Papers, Essay in the field of Law & Multidisciplinary issue. Our aim is to upgrade the level of interaction and discourse about contemporary issues of law. We are eager to become a highly cited academic publication, through quality contributions from students, academics, professionals from the industry, the bar and the bench. INTERNATIONAL JOURNAL FOR LEGAL RESEARCH & ANALYSIS ISSN 2582-6433 welcomes contributions from all legal branches, as long as the work is original, unpublished and is in consonance with the submission guidelines.

A COMPARATIVE STUDY ON THE POSITION OF INHERITANCE, WEALTH AND GIFT TAXES IN THE PRESENT TIMES

AUTHORED BY – SWETHA R S

ABSTRACT

Taxes in general are necessary for the smooth functioning of the government as well as the development of the country. It is an inevitable responsibility of every taxpayer and is inherent in nature. Among the wide range of taxes that are levied when it comes to property and assets inheritance tax, gift tax and wealth tax play an important role. Inheritance tax is levied on the properties and assets inherited by the legal heirs from a deceased person. Wealth tax is levied on the net worth of assets owned by a taxpayer. Gift tax on the other hand is levied at a specified rate in respect of the gifts made by a person. One main purpose of these taxes is to prevent the accumulation of wealth in the hands of few people. However to encourage investments and boost the economy many countries have abolished these taxes and those that levy it provide various exemptions that the revenue generated is often negligible in comparison to those generated by other taxes. In India inheritance and wealth taxes were repealed however gift tax is levied under the Income Tax Act, 1961. The abolition was for a number of reasons including inefficiencies in implementation. This is also the situation in several other countries that exempt taxpayers from inheritance, gift and wealth taxes.

Thus in this paper, I shall analyse the position of inheritance tax, gift tax and wealth tax in different jurisdictions and its importance and efficiency in the present era. I shall also analyse if the time has come for its reintroduction and focus on its reforms for better administration.

Keywords: OECD- gift tax- inheritance tax- wealth tax- revenue- tax administration

INTRODUCTION

Taxes play a vital role in the advancement of a country's economy and in the development of a country as a whole. Generally the governments levy a number of taxes for different reasons. Among them there are a few taxes that are controversial in nature whose implementation is still

questioned till date. Such taxes are namely inheritance tax, wealth tax and gift tax. Inheritance, wealth and gift taxes are age old concepts but over the years their significance drastically reduced and countries began questioning the integrity of these taxes. This subsequently led to their abolition in certain countries or the reduction in tax rates in such a way that it is insignificant in comparison to other taxes. However due to globalization the world has seen a tremendous increase in the wealth inequality notably over recent decades and especially during the pandemic times inheritance tax, wealth tax and gift tax has sparked a debate among countries and even at the OECD level on its reformation and implementation. In this context these taxes could have an important role to play in generating additional revenue for government.

In India inheritance and wealth taxes were repealed however gift tax is levied under the Income Tax Act, 1961. The abolition was for a number of reasons including inefficiencies in implementation. Taking into account all the ups and downs of these taxes one thing which could be understood is that there is a fine line between its success rate and its downfall. Looking at the positive side, those countries that continue to implement these taxes have been fairly successful owing to a strong and efficient tax administration policy. In this study I've tried to analyse the position of inheritance tax or estate duty, wealth tax and gift tax in different jurisdictions with specific focus on France, UK and USA.

The jurisdictions of France, UK and USA are compared with India as France has successfully implemented these taxes since the beginning without abolishing them. The various reforms brought in its tax system over the years prove the stability of administration from which the Indian tax system can gain insights on implementing these taxes. The tax system of UK is compared as the laws of UK and India are similar in structure and since UK has an inheritance tax system in practice it could help create a path for India in introducing the same. USA has an estate duty tax system in place similar to that of the estate duty in India before its abolishment. The economy of India is not the same as it was when these taxes were abolished. As a rapidly growing economy and considering the pandemic and post pandemic era India can learn from the past mistakes and the reforms introduced to ensure the smooth administration of inheritance, wealth and gift taxes by the French, UK and USA tax systems before implementing the same in the country.

INHERITANCE TAX, GIFT TAX AND WEALTH TAX IN DIFFERENT JURISDICTIONS

1. INDIA

Initially India implemented the Estate Duty (1953- 1985), Gift Tax (1958- 1998) and the Wealth Tax (1957- 2015) but they were subsequently abolished due to the inefficiency in administration. On its enactment Estate Duty proved to be beneficial however eventually the drawbacks overpowered the benefits and was finally abolished in 1985. With the aim to reduce tax evasion and to divide the tax burden more equitably gift tax was introduced in 1958 however owing to its failure to achieve the intended results it was also dropped¹. Currently gift tax is made a part of the Income Tax Act, 1961. Similarly wealth tax was also abolished to simplify the tax structure. It is safe to say that the progressive taxation of wealth among other measures played an important role in reducing inequality² during the course of implementation of these laws.

Commenting on the failure of these taxes in India, tax experts state that capital taxes like wealth tax and gift tax are important direct taxes and if they are properly devised and efficiently administered then it would act as a check on tax evasion in India³. The negative impact due to the lack of these taxes is pointed out by Tarun Jain in his work, 'Taxability of corporate gift of shares'⁴. In a commentary on inheritance tax in India, Amarendu Nandy, Abhisek Sur and Santanu Kundu conclude that inheritance tax fulfils the primary object of eliminating wealth inequality across generations however it will require massive efforts on the part of the government⁵. Further they are of the opinion that though inheritance tax has only a marginal impact it could still be beneficial in addressing the distributional inequality that continues to exist in India.

The rationale for including wealth tax in the form of additional surcharge within Income tax is to simplify the complex tax procedures that were burdensome to the tax payers. Inheritance tax and wealth tax also increased tax evasion and non-compliance. If the government tried to rectify these

¹ Ajay Agashe, Mokshada Todurkar, 'OECD Report on Inheritance Tax & Indian Experience' (taxsutra, 2 July 2021) <<https://www-taxsutra-com.opj.remotlog.com/dt/experts-corner/oecd-report-inheritance-tax-indian-experience>>

² Rishabh Kumar, 'Top Indian Wealth Shares and Inheritances 1966-1985' (July 2018) Research Gate <https://www.researchgate.net/publication/318959431_Top_Indian_wealth_shares_and_inheritances_1966-1985>

³ Manoj Pandey, 'Direct Tax Reforms In India- Policy Initiatives and Directions' (Master Thesis, University of LJUBLJANA 2006) <<http://www.cek.ef.uni-lj.si/magister/pandey7-B-06.pdf>>

⁴ Tarun Jain, 'Taxability of Corporate Gift of Shares' (January 2012) International Fiscal Association India Chapter Conference 2012 <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1997835>

⁵ Amarendu Nandy, Abhisek Sur, Santanu Kundu, 'The Case For Introducing Inheritance Tax in India' (2018) 4(1) Journal of Tax Administration <<http://jota.website/index.php/JoTA/article/view/166/126>>

drawbacks it only creates additional burden on the authorities to check what each tax payer has inherited and what each individual is holding over the years⁶. This process will only result in increased cost to trace and penalize the defaulters. The Wealth Tax Act, 1957 was not favourable to private enterprises which subsequently had a negative impact on the economy of India. The current system of collecting surcharge however is more beneficial in comparison as the tax payers don't have to struggle with the complex regulations. There is also no additional administrative burden on the tax department which was present in the previous tax regime⁷. Another reason for bringing wealth tax within the purview of income tax is mainly because the separate wealth tax imposed did not yield the desired results. But, an additional surcharge of 2% proved advantageous as it ensured definite revenue to the government.

Though the new system is better in comparison to the old wealth tax regime, considering the development of the country in the recent years and the advancement of technology in the tax department the drawbacks of the wealth tax act, 1957 can be easily overcome. Moreover, the Covid-19 pandemic is a lesson of how such surcharges on the super rich have very little effect. This is because even in the pandemic the rich continued to increase their wealth while the remaining population struggled for their day to day living. The pandemic is one instance that shines light on the ever widening inequality in wealth. Though the additional surcharge was a success in comparison with the old wealth tax system it is not successful enough to meet the demands of the present. Therefore, abolishing the previous wealth tax and increasing the surcharge has a trifle outcome than what was initially imagined.

In a similar manner the existing Gift Tax Act, 1958 was abolished and incorporated into the Income Tax Act, 1961 as Income from other sources. This decision by the government to tax gifts as income is favourable for the reason that it reduces the complexity in administration. Taxing gifts according to the income tax slab rates reduces the burden of the tax department and ensures better compliance on part of the tax payers. One shortcoming in this approach is the presence of numerous exemptions that reduce the achievement of this reform. Certain exemptions provide an opportunity to those tax payers who wish to avoid tax burden like that of gifting to relatives as it does not attract tax no matter the value of the gift. Hence, even if replacing the gift tax act with a provision within income tax act is a more fitting move on part of the government without

⁶ Rajalakshmi Nirmal, 'Why Jaitley decided to scrap wealth tax' (BL, 24 January 2018) <<https://www.thehindubusinessline.com/economy/why-jaitley-decided-to-scrap-wealth-tax/article6971992.ece>>

⁷ Anonymous, 'Wealth Tax in India' (bankbazaar) <<https://www.bankbazaar.com/tax/wealth-tax.html>>

amending the exemptions there will always be ways to exploit it diminishing the intended success of the reform.

2. U.K.

The United Kingdom has a much different approach towards these taxes. Amongst the OECD countries that still levies inheritance tax United Kingdom is one among very few countries that levy taxes to the estate of the deceased donors rather than the recipients. Majority of the countries impose tax on the individuals inheriting the wealth. Another unique feature of the United Kingdom's estate tax system is that it is also among the very few countries that apply flat tax rates to its inheritance tax instead of progressive tax rates. It has combined both estate tax and gift tax into a single inheritance tax. This applies to transfers on the death of a person as well as to certain gifts made by the donor in the course of his lifetime. The U.K. inheritance tax includes 3 types of transfers namely exempt transfers, potentially exempt transfers and chargeable transfers⁸. However, no net wealth tax is implemented in the U.K.

Under UK's tax system when an individual's estate and the transfers made out of his estate are calculated and valued for tax purposes, a period of seven years within the date of their death is also included. This is for inheritance purposes. On the other hand an individual can transfer as gifts in his last seven years of life and it will not be subject to gift tax. Also certain gifts transferred by an individual irrespective of the size of the gifts and whether it was transferred during the person's lifetime or after his death through will are exempt from gift tax⁹.

The leeway of transferring wealth to others tax free is available to every individual subject to a certain limit on the amount transferrable. This is called as the Nil Rate band and is currently £325,000 in the UK. In case of spouses and civil partners the threshold of the tax free amount that can be transferred is higher¹⁰. This amount can be transferred to be used on the death of the spouse and is called as transferrable Nil Rate Band (transferrable NRB). Apart from this there is also something called the residence nil rate band (residence NRB) which is applicable when an individual leaves his home to his direct descendants. Such property is also transferrable and is currently valued up to £125,000. This value has eventually increased to £150,000 in April 2019

⁸Anonymous, 'Worldwide Estate and Inheritance Tax Guide 2021' (EY 14 June 2021) <https://www.ey.com/en_gl/tax-guides/worldwide-estate-and-inheritance-tax-guide>

⁹ Antony Seely, 'Inheritance Tax' (House of Commons Library, 08 April 2021) <<https://commonslibrary.parliament.uk/research-briefings/sn00093/>>

¹⁰Emma Agyemang, 'The Future of UK inheritance tax- lessons from other countries' (Financial Times, 28 May 2021) <<https://www.ft.com/content/c52faece-2e07-4ae3-912d-83cae264093e>>

and £175,000 in April 2020¹¹. Any property transferred beyond this amount is subject to estate duty of 40%. Even trusts have separate inheritance tax system. In case of newly formed trusts they are taxed on periodic charges as and when the assets are received or taken out of the trust. Such taxes are payable by the trustees.

Under UK's gift tax system generally gifts made to individuals within seven years before the decease of the person who made the gift transfers are not taxable. However, inheritance taxes may be imposed on the wealth transferred as gifts within seven years of the individual's demise but, the rate at which such gifts are taxed may be reduced based on the nature of the gift. An interesting feature is that if the individual transferring gift to another person seven years prior to his death continues to receive some form of benefit from the property transferred before his death then such property is treated as if it is still owned by the individual on his death. There are also certain exemptions from gift tax if such gifts are transferred for weddings subject to certain value, if the gifts are worth less than £250 or if the value of the gifts transferred is less than a sum of £3,000 a year¹². Sometimes inheritance tax on certain lifetime gifts are immediately chargeable at a rate of 20% of the value.

3. U.S.A.

The United States has estate tax in force rather than inheritance tax. With respect to gift tax, it is levied on all tangible and intangible properties regardless of its location¹³. The Internal Revenue Service deals with the enforcement of these taxes. Like the United Kingdom, United States has no net wealth tax. The estate duty which is charged on the wealth transferred at the donor's demise also includes those transferred as gifts during the lifetime of that individual. Like the exemptions available under the United Kingdom's tax system here, a certain value of the estate transferred is exempted from being taxed by the government. The rate at which the estate duty is levied ranges from 18%-40%. The threshold limit beyond which estate tax applies is \$12.06 million¹⁴. Similar to UK any transfers made to the spouses are not taxed and are exempted and any exemption that has not been used can be inherited by the surviving spouse. With respect to other terms and

¹¹ Office of Tax Simplification, *Inheritance Tax Review- first report: Overview of the tax and dealing with administration* (November 2018)
<https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/758367/Final_Inheritance_Tax_Report_-_web_copy.pdf>

¹² Ibid.

¹³ Anonymous, 'Worldwide Estate and Inheritance Tax Guide 2021' (EY 14 June 2021)
<https://www.ey.com/en_gl/tax-guides/worldwide-estate-and-inheritance-tax-guide>

¹⁴ Internal Revenue Service <<https://www.irs.gov/businesses/small-businesses-self-employed/estate-tax>>

conditions of taxation, like deductions, deductions for charitable purposes and other special provisions remain the same for inheritance and gift taxes.

Initially before making these taxes permanent, the way in which the estates and gifts were taxed was still in question. The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), is one among the acts that were introduced to reduce tax. This act facilitated the gradual reduction and elimination of the estate tax¹⁵. Under EGTRRA, the estate tax exemption increased from \$675,000 in 2001 to \$3.5 million in 2009, while the rate of tax fell from 55% to 45%. Though these exemptions almost led to the abolition of estate tax there was a general consensus that the wealth transferred will be subject to some form of estate duty. President Obama's budget outline proposal was approved and passed by the House in December 2009 which included within its scope a tax exemption of \$3.5 million and a permanent tax rate of 45%. In addition to this, in 2009, Senate Democratic leaders also concurred to the plan to enact the 2009 rules permanently. On the other hand the Senate Republican leadership proposed a \$5 million exemption and 35% rate. This latter proposal was eventually adopted for a two-year period, through 2012. The estates of decedents in 2010 had the option to either opt 2010 or the 2011 rules. Spouses were allowed to inherit unused exemptions. In short the permanent provisions retained most of the rules adopted for 2011 and 2012, but with a higher rate of tax.

Regardless of all the above said exemption levels that were implemented, very few estates are affected by these taxes. Unlike UK, the United States has a highly progressive estate tax. Not surprisingly, almost three-fourth of the estate taxes collected by the state is from descendants belonging to the top 1% of the income distribution. There have been numerous concerns regarding the estate and gift taxes. One such concern is that these taxes affect the heirs more directly¹⁶. Also there is ambiguity on the direct effect these taxes have on heirs because without these taxes the accumulation and consumption of wealth is easily feasible. However, by imposing these taxes the input of work and the level of savings by the heirs are reduced. Putting aside these minor concerns when we look at the overall exemptions available there is a \$5 million exemption available for estates that are subject to tax which is basically less than 0.2% of the estate value. At the interim levels less than 0.1% of the estate value will be imposed as tax. Therefore, even if

¹⁵ Congressional Research Service, *Recent Changes in the Estate and Gift Tax Provisions*, (19 October 2021) <<https://sgp.fas.org/crs/misc/R42959.pdf>>

¹⁶ Leonard E. Burman, Robert McClelland, Chenxi Lu, 'The Effects Of Estate And Inheritance Taxes On Entrepreneurship' Tax Policy Center (05 March 2018) <https://www.taxpolicycenter.org/sites/default/files/publication/153466/2018.03.05_estate_tax_and_entrepreneurs_hip_final_1_0.pdf>

certain concerns are raised about the effect estate taxes can have on businesses especially small businesses, it can be seen that only a small part of the descendants are affected while the majority enjoy these exemptions.

4. FRANCE

France has a long history of taxing inheritance, gift and wealth. Inheritance tax is imposed on all transfers regardless of its nature. That is transfer resulting from will, gift, legal succession are all subject to tax. The respective tax rates are governed by rules of territoriality¹⁷. Here the liabilities of the deceased are deducted and the tax is levied in proportion to the wealth that each beneficiary receives. Though France has high tax rates it also provides adequate exemptions, allowances and other benefits. In 2018 the then French wealth tax was replaced with real estate wealth tax¹⁸. The French taxation of inheritance, gift and wealth taxes differs from the United States tax system for three reasons. Unlike US in France the French laws provide a predetermined set of rules through which the estates are apportioned among the heirs. Secondly, France having developed a progressive inheritance tax system has mandated that the tax rates and tax exemptions available to a successor will be based on the portion and value of the wealth received by him and the kin relationship that he has with the deceased. Finally, the successors get gift benefits from preferential tax schemes and gift taxes are based on the net assets received by each recipient.

Since 2007, spouses have been fully exempted from taxation. The tax rates are however high ranging from 35% to 60% with low tax exemptions¹⁹. Taxation of wealth in France has evolved through the years since its first inception. Until the beginning of the 20th century, gifts and inheritance were taxed proportionally on the basis of separate schedules. Eventually inheritance taxation was implemented as a progressive tax in 1901 while taxation of gifts became progressive in 1942. And so since 1942, taxation of gifts and inheritances are subject to a unified schedule. In addition to this an estate tax exemption was also created in 1952. This exemption applied to the entire estate in general and varied depending on the number of inheritors to the estate. These exemptions further evolved and since 1960, tax exemptions were individualized and subject to numerous changes over the course of its implementation.

¹⁷Anonymous, 'Worldwide Estate and Inheritance Tax Guide 2021' (EY 14 June 2021) <https://www.ey.com/en_gl/tax-guides/worldwide-estate-and-inheritance-tax-guide>

¹⁸ Ibid.

¹⁹ Bertrand Garbinti, Jonathan Goupille-Lebret, 'The Impact of Inheritance and Transfer Taxation on Economic Behaviours and Inequality: A Literature Review for France' ifo DICE Report (2018) <<https://www.econstor.eu/bitstream/10419/181275/1/dice-report-2018-2-5000000002755.pdf>>

One main feature of the French inheritance tax system is such taxes are due and apply to all transfers at the time of the death of the donor regardless of whether such transfers were the result of a legal succession, a will or a gift. The jurisdiction where such taxes are to be paid is determined by territoriality rules. As per the territoriality rule these taxes must be paid in France if the deceased was a French resident, if the heirs are French residents or if the assets are located in France²⁰. The rule of law which is applied to determine the taxable estate is the French civil law rules. Under this system any mortgage or debts of the descendants are deducted from the estate assets that are transferred.

French law imposes the impôt sur la fortune (ISF) on the French residents. It is a wealth tax which is implemented on a worldwide basis subject to certain exemptions on the French residents and on non-residents owning French property. As per this scheme the individuals subject to tax are obligated to disclose the net value of the assets they own and are only taxed on the value of those assets declared. The threshold of value of assets for taxation is equal to or more than €1.3 million. The current wealth tax which is in force in France imposes a tax rate ranging from 0.5% to 1.5%. It is important to note that the French wealth tax cannot be deducted against taxes imposed in US for its residents or nationals. This means that US individuals who are non-residents in France, who own property in France, are obligated to pay the French ISF tax as per the French laws for the French property that they own²¹. However, such tax is applicable only if the net value of the properties is over €1.3 million. While determining what the net value of properties are, debts and mortgage are also taken into account.

COUNTRIES	FRANCE	INDIA	UNITED KINGDOM	UNITED STATES OF AMERICA
TYPES OF TAX				
INHERITANCE TAX / ESTATE DUTY	0% - 60%	NA	40%	18% - 40%
WEALTH TAX	0% - 1.5% on net value above	Additional surcharge of 2%	NA	NA

²⁰ Leigh-Alexandra Basha, Jean-Marc Tirard, 'Buying a Piece of France' <<https://d1198w4twoqz7i.cloudfront.net/wp-content/uploads/2015/11/27162024/buyingapieceoffrance.pdf>>

²¹ Ibid.

	€ 1.3 million.	when the annual taxable income exceeds Rs.1 crore.		
GIFT TAX	0% - 60%	Gifts exceeding Rs.50,000 are subject to income tax.	40%	18% - 40%

CONCLUSION

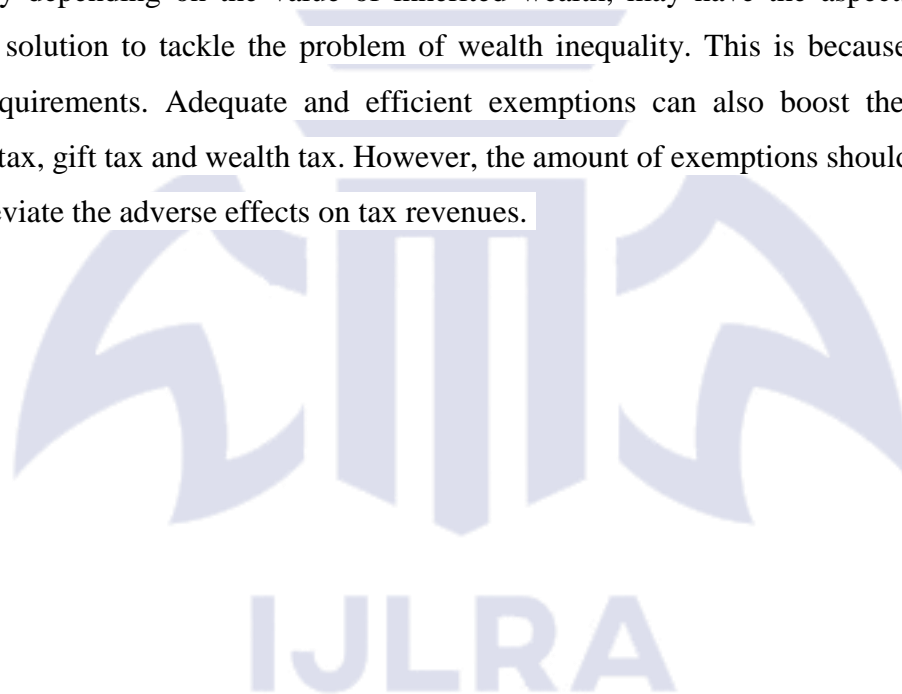
The taxation of intergenerational transfers that includes, inheritance and gift taxes is a much-debated topic in the public sphere. A major issue that is argued against the imposition of inheritance tax or any tax on the wealth accumulated is the claim that such wealth belongs to the family and that it has been accumulated over the years through the family's own efforts. The general notion is that the wealth generated by a family through generations is the sole wealth of that family alone and so the authorities or the government has no right to intervene and impose taxes. Though this argument holds true to a certain extent, it can be easily rebutted as the basic principles of taxation suggests that individuals should be taxed according to their ability to pay²². Therefore applying this principle, individuals who accumulated wealth by utilizing the public resources should contribute in a larger extent for the welfare of the public. It is their basic duty. In addition, intergenerational transfers of wealth only boost inequality within the society and tip the scale of opportunity towards the rich depriving the others of the same. This holds true as people with more resources have more opportunities as compared to those who don't.

In a real world filled with competition, obstacles and uncertainties it may take a number of taxes to meet social goals of equality and equal opportunity. To achieve this feat estate taxes may have a meagre but critical part in the government's tax treatments. Estate tax also has the potential to add to progressivity in a manner that income tax or other taxes cannot easily do. Taxing the wealth of the deceased is much easier and efficient than taxing the living as the wealth is only taxed once after the individual's demise. The supposedly negative aftermath of the estate duty such as its effects on saving, compliance costs, and small businesses lack substantial evidence supporting

²² Stefan Jestl, 'Inheritance Tax Regimes: A Comparison' (2020) 45(3) Public Sector Economics <http://pse-journal.hr/en/archive/inheritance-tax-regimes-a-comparison_7582/>

such claims and are more often grossly overstated²³. This is because such difficulties arise in all forms of taxation and a good tax system and effective tax administration can overcome such meagre difficulties.

Thus, an inheritance taxation rate system designed to increase compliance and efficiency should not only focus on the wealthier individual's higher ability to pay but must also have sufficient consideration to provide preferential treatment to family members. By taking into account both sides of the argument in implementing a developed taxation system, an inheritance tax regime with the necessary reforms is justifiable²⁴. In other words, a tax system that includes on one hand, the advancement of tax rates on the basis of affinity to the donor, and on the other hand, high progressivity depending on the value of inherited wealth, may have the aspects of being an appropriate solution to tackle the problem of wealth inequality. This is because it fulfils the essential requirements. Adequate and efficient exemptions can also boost the necessity of inheritance tax, gift tax and wealth tax. However, the amount of exemptions should be limited in order to alleviate the adverse effects on tax revenues.



²³ Joel Slemrod and William G. Gale, 'Rethinking the Estate and Gift Tax' (Brookings March 21 2001) <<https://www.brookings.edu/research/rethinking-the-estate-and-gift-tax/>>

²⁴ Stefan Jestl, 'Inheritance Tax Regimes: A Comparison' (2020) 45(3) Public Sector Economics <http://pse-journal.hr/en/archive/inheritance-tax-regimes-a-comparison_7582/>