Introduction

Property taxation is currently a hot topic both in politics and economics. In particular, the taxation of wealth transfers over generations is very controversial. In assessing inheritance taxation, opposition is stated by those who prioritise liberal property rights. However, the transfer of wealth may foster wealth inequality resulting in rising inequality of opportunities. The latter argument supports inheritance taxation. In discussing the basic concepts of the tax, Marterbauer and Schürz (2007) distinguish, inter alia, between the principles of equality, justice, and family. Following the principle of equality, the taxation of inheritance should diminish the intergenerational transmission of inequality and thus at least reduce the growth in concentration of wealth in family dynasties and upper classes. An inheritance tax thus fosters to achieve a higher level of equality of opportunity in a society. The principle of justice suggests that affluent individuals should contribute more to support poorer groups in the society, because the former have a higher ability to pay. In contrast, the principle of family emphasises the role of the family in relation to individual property and therefore also its transfer via bequest. The wealth of a deceased is considered as the property of the family and the government is not entitled to intervene. The first two arguments obviously contradict the last one in a discussion on the implementation of a taxation on inheritance.

Bequests are taxed in all EU member states in 2017, except for Sweden, Latvia, Estonia, Austria, Cyprus and Malta. As outlined by Iara (2015), the design of the inheritance tax across European countries is quite heterogeneous. Although there are some similarities across countries in the general concept of the tax, we can find differences, e.g. concerning tax rates and exemptions. In many countries, even when tax rates are progressive, the family principle is partly considered in the design of inheritance taxation, i.e. close family members are granted preferential treatment.

In the recent past, many European countries have conducted changes and reforms with respect to inheritance taxation. Austria abolished the inheritance taxation in 2008. In addition, inheritance taxation was suspended from 2001 to 2006 in Italy. Most recently, tax reforms have taken place in Germany and the United Kingdom. In Germany reforms, enacted in 2017, adapted tax exemptions and reliefs for family businesses. In the United Kingdom additional exemptions for the intergenerational transfer within the family have been introduced. Beyond that, Republicans in the United States have fixed a tax reform plan in order to abolish the taxation of inheritances by 2025 (see The Economist, 2017).

This article provides an overview of different inheritance tax systems based on a set of selected European countries as well as the US and aims at identifying different economic effects emanating from these systems. We particularly focus on the EU countries Germany, Denmark, Finland, France, Italy, the Netherlands and the United Kingdom as well as on the United States.

General features of inheritance tax regimes

In this section we address the main characteristics of inheritance tax systems across selected European countries and the US. In general, an inheritance tax can be characterised by the following items:

- **Basis of tax assessment**
  Is the tax imposed on the entire legacy or on each legatee separately?

- **Tax rate design**
  What are the determinants of the tax rate?