ESTATE DUTY REVIEW

CONSULTATION DOCUMENT

FOREWORD

In the 2004-05 Budget Speech, the Financial Secretary proposed that a review on estate duty should be conducted to examine whether we should adjust the current duty regime to attract more foreign capital.

This consultation document highlights salient features of our estate duty system and invites your opinion on the review, with a view to enabling the Government to formulate proposals on estate duty for the 2005-06 Budget.

Treasury Branch
Financial Services and the Treasury Bureau
Government Secretariat

July 2004

Estate duty

Estate duty is a form of capital tax which, in essence, is levied on the estate of a deceased person. It was first introduced in 1915 to generate revenue and to 'enable the whole community to benefit upon the death of persons who had grown very rich partly through the appreciation in value of assets and the progress of Hong Kong to which the whole community contributed'.

2. Under the Estate Duty Ordinance, Cap.111 (EDO), estate duty shall be charged in respect of all property passing on the death of a person. Both movable and immovable properties are subject to estate duty. In line with the principle of territoriality, only property situated in Hong Kong at the time of death is subject to the tax. A number of exemptions are provided, as follows-

(a) property passed on for charitable purposes in Hong Kong;

(b) matrimonial home inherited by the surviving spouse of the deceased;

(c) life insurance benefits; and

(d) estate which has a value below a certain threshold (which is currently set at $7.5 million).

Estate duty tax rates

3. Estates of different values attract different rates which range between 5% and 15% as follows-

Value of estate	Estate duty rates
Up to $7.5 million	0%
$7.5 million - $9.0 million	5%
$9.0 million - $10.5 million	10%
Over $10.5 million	15%

4. The exemption threshold, duty bands and rates are reviewed and adjusted regularly to take into account the effects of inflation/deflation. Last adjustments were made in the 1998-99 Budget whereby the exemption threshold was increased in line with inflation. The duty rates were reduced from 6%, 12% and 18% to the current rates of 5%, 10% and 15% in the same exercise.

Estate duty as a stable revenue source

5. Estate duty is a stable source of revenue and has contributed on average close to 4% of total Government capital revenue annually over the past five years. Our estate duty receipts for 2003-04 were about $1.5 billion, or around 4.4% of total Government capital revenue for the year. The estate duty receipts in dollar amounts and as a percentage of the total capital revenue and of the total Government revenue respectively for the past five years are set out in the following table:

	Estate duty	Total capital revenue		Total revenue	
	($ billion)	($ billion)	%	($ billion)	%
1999-2000	1.272	57.799	2.2%	232.995	0.5%
2000-01	1.503	53.740	2.8%	225.060	0.7%
2001-02	1.928	24.154	8.0%	175.559	1.1%
2002-03	1.403	24.153	5.8%	177.489	0.8%
2003-04	1.455	33.129[1]	4.4%	203.837[1]	0.7%
Average	**1.512**	**38.595**	**3.9%**	**202.988**	**0.7%**

Overseas practices

6. Among the 30 OECD countries, 24 impose an estate duty or similar tax. These include Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Japan, Korea, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. Among the European countries listed above, all have both an inheritance

[1] Revised estimates

tax/estate duty and a capital gains/net wealth tax. Within the region, in addition to Japan and Korea, Singapore and Taiwan have estate duty. In fact, all important international financial centres, including London, New York and Tokyo, as well as banking/trust centres, such as Switzerland, Luxembourg and Ireland, have estate duty.

7. Some jurisdictions have abolished or made certain adjustments to their estate duty regimes. For example, Australia abolished estate tax in phases from 1977 to 1984, Canada in 1972, Malaysia in 1991, New Zealand in 1992 and both Macau and Italy in 2001. The United States is phasing out the federal estate tax with repeal in 2010 but the tax will return at the 2001 exemption level of US$1 million for deaths occurring in 2011 and thereafter (unless Congress extends the repeal). But some of these countries have still retained one or more similar taxes, such as gift tax. On 1 January 2002, Singapore introduced exemption for movable property for non-domiciles. The UK recently increased the exemption threshold from £255,000 to £263,000. A table summarising the estate duty regimes in other tax jurisdictions and the recent changes introduced is at the ***Annex***.

8. According to our understanding, estate duty regimes adopted by other places normally tie estate duty liability to "place of domicile". "Domicile" is a general law concept adopted by overseas tax jurisdictions. Broadly speaking, a person is domiciled in the country where he has his permanent home. For example in the UK, a person whose father was domiciled in the UK when he was born would be regarded as a UK domicile. He may acquire a new domicile when he leaves the UK and settles in another country with the intention of living in that country permanently or indefinitely. Unlike "place of residency" which often refers to shorter-term stay, "domicile" normally refers to a place of stay of a more permanent nature, and a person can only have one domicile at any given time. "Domicile" is used widely as the test for estate duty liability because it is much less common or more difficult to change "domicile" (permanent home) compared with "residency", hence making it more difficult to avoid the duty.

9. Overseas tax jurisdictions normally treat "non-domiciles" and "domiciles" differently, based on their resident-based taxing principle

(examples include the UK and US). For "domicile" deceased, all assets passed on, whether local or overseas, are subject to estate duty. As regards "non-domicile" deceased, only local assets are taxed. Certain regimes make further distinctions between "non-domicile" non-residents and "non-domicile" residents, and provide wider exemption for the former group.

10. Some jurisdictions provide exemptions to "non-domiciles" and "non-residents" by reference to asset type. Singapore has exempted movable property held by non-domiciles[2]. The UK has exempted the following types of assets held by non-domiciles or non-residents:-

(a) all British Government securities except 3½% War Loan 1952 or later[3] (for persons neither domiciled nor ordinarily resident in the UK);

(b) holdings in authorized unit trusts and open-ended investment companies[4] (for persons not domiciled in the UK) – effective from 16 October 2002; and

(c) foreign currency bank accounts[5] with the Bank of England, the Post Office, or an "authorized institution" within the meaning of the Banking Act 1987 (for persons not domiciled, resident or ordinarily resident in the UK).

In the US, the following assets held by a non-resident who is not a citizen of the US are not subject to federal estate tax[6]:-

(a) proceeds of life insurance;
(b) bank deposits and certain other debt obligations; and
(c) works of art on loan for exhibition.

Views received during the past Budget consultation exercises

[2] Section 11(1A) of the Estate Duty Act (Cap. 96)
[3] Section 6(2) of the Inheritance Tax Act 1984
[4] Section 6(1A) of the Inheritance Tax Act 1984
[5] Section 157 of the Inheritance Ta x Act 1984
[6] Section 2105 of the Inland Revenue Code, Title 26

11. In past Budget consultation exercises, we have received proposals in relation to estate duty. The main proposals are as follows-

(a) Exemption of "non-Hong Kong-domicile" or "non-Hong Kong-resident" investors.

(b) Exemption of certain types of assets, e.g. certain types of moveable property, such as bank deposits, listed securities, interests in collective investment schemes.

(c) Complete abolition.

Other suggestions for improving the current estate duty regime

12. There have also been occasional calls to reduce the current interest rates which have been set by statute at 4% per annum for the six months from the date of death of the deceased, and thereafter at 8% per annum until the estate duty is fully settled. Besides, in a recent value for money audit, the Director of Audit reviewed the operation of the Estate Duty Office and recommended strengthening the anti-avoidance provisions in the EDO to close the loopholes for avoidance of tax. Other proposals relating to estate duty include adjusting the duty exemption threshold.

13. Advocates of the exemption of "non-Hong Kong-domicile " or "non-Hong Kong-resident" investors (proposal (a) in paragraph 11 above), claimed that foreign investors are deterred from investing in local assets because they would, in the absence of a double tax treaty between their country and Hong Kong, be subject to a "double whammy" of taxation in both jurisdictions.

14. Proponents who advocate the abolition of estate duty (proposal (c) in paragraph 11 above) are of the view that estate duty is an unfair tax as it can be easily avoided by setting up offshore trusts and the tax only catches those who cannot afford tax consultants to effect this. They also consider that, compared to other taxes, the relatively long process of assessing estate duty (which may involve the freezing of business

accounts) would cause irreparable damage to the viability of the business left behind by the deceased and create risks for its creditors as the value of assets might be eroded. Overall, they claim that estate duty is a complicated tax which is not cost-effective to administer.

15. Advocates of the three proposals in paragraph 11 above hold the view that estate duty creates a disincentive to invest or retain assets in Hong Kong. They believe that if exemptions are granted or the tax is abolished, investments in both movable and immovable properties will be returned to or brought into Hong Kong, thereby boosting transactions in stock and landed properties and hence bringing in substantial additional revenue for the Government by way of stamp duties. They also think that the proposals would help provide a catalyst to the debt market as well as the trust and wealth/fund management industries in Hong Kong, thereby assisting our development as the premier asset management centre for Asia.

Statistics on estate duty cases

16. According to statistics gathered by the Commissioner of Estate Duty (who is also the Commissioner of Inland Revenue), for the 2002/03 and 2003/04 assessment years, 69% and 47% respectively of the dutiable cases involved assets which were worth over $10 million, and 11% and 8% respectively of the cases involved assets which were worth over $50 million. In 2002/03, two cases involved assets worth over $1 billion. The value of assets quoted here is on top of any exempted assets (i.e. matrimonial home, life insurance proceeds, etc.). Due to the nature of the tax with its existing exemptions, therefore, those who were charged estate duty clearly belong to the better-off segment of our society.

17. In the 2002/03 and 2003/04 assessment years, only 8 and 16 cases, or 2.6% and 6.2% respectively of the total number of dutiable cases, involved the freezing of business accounts. According to operational experience, in most cases the beneficiaries are able to discharge estate duty by using the deceased's other financial resources which are exempted from payment of estate duty (e.g. pension funds, life insurance proceeds, offshore bank accounts etc.) without suffering undue

hardship. Over 85% of the applications for issue of estate duty assessment/certificate of exemption that concern exempt/simple cases involving interests in a business were completed within six months of the receipt of the estate duty affidavit. All such exempt/simple cases were completed within 12 months. While complicated cases require longer periods to process, the beneficiaries may apply for provisional clearance should they wish to unfreeze part of the assets. We are not aware of any closure of business due to the freezing of business accounts. There is therefore no evidence to suggest that estate duty 'has caused irreparable damage to the viability of businesses'.

Cost of administration

18. The cost of collecting estate duty is lower than the average collection cost for taxes collected by the Inland Revenue Department (IRD). In the four assessment years from 1999/2000 to 2002/03, the cost of collecting estate duty ranged from 0.95% to 1.36% whereas the cost of collecting other IRD taxes ranged from 1.31% to 1.39% during the same period.

The "double whammy" of taxation

19. The "double whammy" of taxation rarely happens in practice, because some tax credit or relief would normally be given by the home jurisdiction of the foreign investor. Taking the UK as an example, despite the absence of a double taxation agreement between the UK and Hong Kong, double taxation is eliminated by a unilateral relief[7] – a credit is given against the UK inheritance tax for the duty paid in Hong Kong in respect of the double-taxed property. Similar relief is available in the case of a US citizen[8]. For a Singaporean, the amount of duty paid in Hong Kong will be deducted from the value of the double-taxed property for the calculation of Singapore estate duty[9].

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[7] Section 159 of the Inheritance Tax Act 1984
[8] Section 2014 of the Inland Revenue Code, Title 26
[9] Section 28(5) of the Estate Duty Act (Cap. 96)

Our equitable and simple taxation system

20. Unlike many other jurisdictions, Hong Kong follows the territorial-source taxing principle. We maintain a level playing field in tax treatment and have generally refrained from providing special treatment to different types of investors/taxpayers. In line with this, our estate duty system treats all types of investors/taxpayers alike without having regard to their place of domicile or residency in assessing their estate duty liability.

21. The application of "domicile/residency" rules to the taxation of property passing on death is far more complex than the application to the taxation of employment income. It is because the latter is usually linked to the geographical location wherein the income was earned in the tax year, whereas a person's being a resident in one year does not necessarily mean that he will be or was a resident in a subsequent or earlier year. A determination of the "domicile/residency" of the deceased by reference to his status/presence in Hong Kong in the year of death may not be fair and can easily be abused. The physical presence and right of abode test aside, rules have to be created to distinguish people with a long-term connection to Hong Kong from those with only a short-term connection, and to determine when a long-term connection is severed or restored.

22. In a majority of jurisdictions, the taxation of both income and capital is based on "domicile" or "residency". The rules for determining such "domicile/residency" are generally complex. It is, however, easier to determine the "domicile/residency" of a deceased person when the residency for his income tax liability is known. Hong Kong adopts a territorial taxation system for both income tax and estate duty, and many of its wealthier citizens hold multiple nationality and residence. The determination of "domicile/residency" of the deceased for estate duty purposes is therefore a very difficult task, and is likely to be a major source of dispute if full or partial exemption from estate duty is tied to this.

23. In addition, granting exemptions based on "domicile/residency" would constitute a departure from the principles of neutrality and territoriality currently followed in Hong Kong. It would be inequitable

to local residents and may discourage people from moving to Hong Kong and bringing with them valuable human and monetary capital. Besides, as nearly 70% of the estates (in value) with local addresses are made up of movable property, the potential revenue loss will be substantial if the local “domiciles/residents” exploit the relief. Any attempt to close the loopholes will greatly complicate the tax law and add difficulties to the administration of the EDO.

24. The decisions of ordinary investors are normally based on return and risk. Factors such as business opportunities, political stability, operating cost, rate of return, exchange and remittance controls, legal and communication systems, and the income tax regime should far outweigh the more remote potential charge to estate duty. It is also unusual for “non-domicile” or “non-resident” multimillionaires to make substantial investments in their personal names. In so doing, they may increase their incidence of taxation in their home jurisdiction. Further, there are often other reasons for investors to hold their investments through a corporate vehicle or trust set up in a tax haven.

25. Out of the 258 dutiable cases assessed in the year ended 31 March 2004, 31 estates relate to deceased persons with overseas addresses (some of them are holders of a Hong Kong Identity Card and may not be non-residents for tax purposes), involving a total duty amount of $161 million, representing 11% of the total annual collection (in terms of value, over 95% of the assets in these dutiable estates are movable properties). Coupled with potential leakage and difficulty in enforcement, a rather substantial portion of the estate duty currently being collected will be lost if exemption from the duty is to be granted to “non-Hong Kong-domicile” or “non-Hong Kong-resident” investors.

Consultation/Views Sought

26. Given the foregoing considerations, we are reviewing whether the benefits of abolishing or adjusting estate duty would be greater than the disbenefits for the Hong Kong community as a whole. To help us consider the matter further, we welcome your views and suggestions on the following issues:

Whether the current estate duty regime should be retained?

(a) Do you think estate duty should be retained? If so, the reasons for this?

(b) If you think the current estate duty regime should be retained, have you any suggestions on how the present regime, including its procedures, charging provisions, exemptions, exemption threshold, rates of duty, and interest and anti-avoidance provisions might be improved?

(c) What factors do you think contribute to the investment and retention of capital in Hong Kong? To what extent does estate duty feature in this? How might adjusting the estate duty regime make a difference? Please try to quantify the effects of any proposed adjustment to the estate duty regime and explain the basis for your estimate.

Whether the estate duty regime should be adjusted through provision of exemption by reference to "domicile" or "residency" (proposal (a) in paragraph 11)?

(d) Should exemptions based on "domicile" and "residency" be provided? If so, why, and which basis do you prefer, "domicile" or "residency"? What do you suggest for the definition and test of "domicile" and or "residency"?

(e) Would the proposal to provide exemption from estate duty by reference to "domicile" or "residency" create problems for the estate duty regime? What practical difficulties might there be and how best can they be overcome?

(f) What effects, if any, on the asset management industry and the Hong Kong economy as a whole (e.g. in terms of employment level, value of assets managed and inflow of foreign capital) do you think would be brought about by providing exemption by reference to "domicile" or "residency"? Please try to quantify the benefits and describe the basis of your estimate.

Whether the estate duty regime should be adjusted through provision of exemption by reference to asset type (proposal (b) in paragraph 11)?

(g) Should exemptions be given to specific assets such as bank deposits, listed securities, and collective investment schemes that are authorised by the Securities and Futures Commission under the Code on Unit Trusts and Mutual Funds? If so, the reasons for this?

(h) Would the proposal to exempt specific assets create problems for the estate duty regime? What practical difficulties might there be and how best could they be overcome?

(i) What effects, if any, on the asset management industry and the Hong Kong economy as a whole (e.g. in terms of employment level, value of assets managed and inflow of foreign capital) do you think would be brought about by providing exemption by reference to asset type? Please try to quantify the benefits and explain the basis of your estimate.

Whether estate duty should be abolished (proposal (c) in paragraph 11)?

(j) Do you think estate duty should be abolished? If so, the reasons for this?

(k) How would the abolition of estate duty affect different industries (e.g. private wealth management, estate duty planning, the legal, accountancy and surveying professions, investment banks and trustee companies)?

(l) What effects, if any, on the asset management industry and the Hong Kong economy as a whole (e.g. in terms of employment level, value of assets managed, repatriation of capital from Hong Kong people and inflow of foreign capital) do you think would be brought about by abolishing estate duty? Please try to quantify the benefits and explain the basis of your estimate.

(m) How best may we ascertain and measure the costs and benefits of abolishing the tax in terms of the net employment gains/losses, potential for increased investments and boost to the asset management industry?

Other measures?

(n) Do you think Hong Kong needs to adopt any other measures or changes together with or instead of adjustments to estate duty in order to develop its role as the premier asset management centre for Asia?

27. Please send your views on these issues to the following address by letter, by fax (Fax number: 2530 5921), or by electronic mail (email address: edr@fstb.gov.hk) on or before 20 October 2004:

Principal Assistant Secretary for the Treasury (Revenue)
Treasury Branch, Financial Services and the Treasury Bureau
4th Floor, Central Government Offices, Main Wing
Lower Albert Road
Hong Kong

Annex

Comparison of estate duty in various tax jurisdictions

Tax jurisdictions	**Type of estate tax**	**Jurisdictional basis of tax**[1]	**Persons liable**[2]	**Basis of valuation**	**Relief to business/business assets**	**(1) Threshold / (2) Allowances**[3]	**Duty rates**[4]
Hong Kong	Estate duty	Local assets	E, De, SJT, T	OMV at death	No	(1) $7.5 million	5% to 15% (S)
Japan	Inheritance tax and gift tax	(1) Worldwide assets; Recipient domiciled in Japan (2) Local assets	I, De	OMV at death/gift	A 80% discount to small business sites and 10% discount to business stock	(2) ¥50 million + ¥10 million x no. of statutory heirs	10% to 50% (P)
Korea	Inheritance tax and gift tax	(1) Worldwide assets; Resident deceased or donee (2) Local assets	I, De	OMV at death/gift	Special deduction for financial assets – 20 million won or 20% of the amount inherited up to a max. 200 million won	(2) A lump-sum deduction of 500 million won or itemized deductions	10% to 50% (P)
Singapore	Estate duty	(1) Local immovable and worldwide movable; Deceased domiciled in Singapore (2) Local immovable	E, De, SJT	OMV at death.	No	(2) S$0.6 million	5% to 10% (P)
Taiwan	Estate tax and gift tax	(1) Worldwide assets; Taiwanese national deceased/donor regularly domiciled in Taiwan within 2 years before death/gift (2) Local assets	E, Dr, I, AA (for estates without beneficiaries)	Prevailing value at death/gift	A 50% discount to the value of agricultural land	(2) (A) Estate tax[5] – Allowances – basic, spouse, children, parent, dependent siblings, grandparents, and handicapped.	Estate tax – 2% to 50% Gift tax – 4% to

Tax jurisdictions	Type of estate tax	Jurisdictional basis of tax[1]	Persons liable[2]	Basis of valuation	Relief to business/business assets	(1) Threshold / (2) Allowances[3]	Duty rates[4]
						(B) Gift tax – annual deduction, inter-spouse gifts, marriage gifts	50% (P)
USA	Estate tax and gift tax	(1) Worldwide assets; Deceased or donor who is a US citizen or resident (2) Local assets[6]	E, De	OMV at gift/death or the value six months later, if lower	Relief for a qualified family-owned business is repealed in 2004	(1) US$1.5 million	Maximum 48%
United Kingdom	Inheritance tax	(1) Worldwide assets; UK- domicile deceased (2) Local assets[7]	E, De, Trustee	OMV at death/gift[8]	100%/50% relief for relevant businesses/business property[9]	(1) £263,000	40%
Luxembourg	Succession or, death duties for transfer on death, and registration duties for inter vivos gifts	(1) Local real estate and worldwide movable property; Deceased Luxembourg resident (2) Local real estate	De, I	OMV at death/gift	No	No	5% to 48%[10]

Tax jurisdictions	Type of estate tax	Jurisdictional basis of tax[1]	Persons liable[2]	Basis of valuation	Relief to business/business assets	(1) Threshold / (2) Allowances[3]	Duty rates[4]
Switzerland	Inheritance and gift tax (levied by cantons)	(1) Local real estate and worldwide movable property; Resident deceased or donor (2) Local real estate	I or De in most cantons, but E in some cantons	OMV at death/gift	Some discount for business assets received and used by the beneficiary as his independent business.	(2) Deductions vary from canton to canton. Inheritance and gifts between spouses and to descendants are exempt in most cantons.	0% to about 50% [11]

Tax jurisdictions	Gifts inter vivos	Matrimonial home exemption	Exemption for				Double taxation relief/unilateral tax credit
			Bequests to spouse and children	Insurance proceeds	Succession of private business	Charitable donation	
Hong Kong	3 years before death, deemed to be property passing on death	Yes	No	Yes – life insurance	No	Yes	No
Japan	Gift tax on calendar-year basis; gifts within 3 years before death to be included as part of the inheritance (by election)	Yes but up to ¥20 million	Partial	Life, personal accident (maximum up to ¥5 million x no. of statutory heirs.)	No	Yes	Yes
Korea	Gift tax on yearly basis; gifts within 10 years before death to be included as part of the inherited property	No	Spouse - actual amount inherited up to 3 billion won	No.	Up to 100 million won	Yes	Yes
Singapore	Gifts within 5 years before death deemed to be property passing on death	Yes – dwelling house(s) up to S$9 million	No	No	No	Yes	Yes for duty paid in the Commonwealth / deduction from the value of the property for duty paid in other countries

Tax jurisdictions	Gifts inter vivos	Matrimonial home exemption	Exemption for				Double taxation relief/unilateral tax credit
			Bequests to spouse and children	Insurance proceeds	Succession of private business	Charitable donation	
Taiwan	Gift tax on taxable-year basis; gifts within 3 years to spouse, heirs and their spouses to be included as part of the estate for calculation of estate tax	No	Spouse – NT$4 million Children – NT$0.4 million each plus NT$0.4 million for each year they are below 20 years of age at the time of death	Payment to the appointed beneficiary under life, labor and farmer insurance	Apparatus for professional use by the deceased up to NT$0.4 million	Yes	Yes
USA	Gift tax applies to lifetime transfers; gifts within 3 years before death to be included as part of the gross estate	No	All transfers of property to a US citizen spouse	Held by a nonresident not a citizen of the US.	Relief for a qualified family-owned business is repealed in 2004	Yes	Yes
United Kingdom	Gifts within 7 years of death are subject to inheritance tax on death of the deceased; gifts to a company or discretionary trusts are immediately chargeable if the total value exceeds the taxable threshold	No	Unlimited amounts but restricted to £55,000 for non-UK domicile spouse	No	100% relief available on transfers of an interest in an incorporated business, shares in some qualified unquoted trading company, and a controlling interest in an unquoted trading company /50% relief for certain other	Yes	Yes

Tax jurisdictions	Gifts inter vivos	Matrimonial home exemption	Exemption for				Double taxation relief/unilateral tax credit
			Bequests to spouse and children	Insurance proceeds	Succession of private business	Charitable donation	
					transfers of business /no relief for companies engaged mainly in dealing in securities, stocks or shares, land or buildings, or in making or holding investments.		
Luxembourg	Registration duties for inter vivos gifts; unregistered gifts within 1 year before death to be included as part of the estate for calculation of succession duties /death duties	No	Inheritance between spouses with common children	No	No	Yes	Most foreign assets are not taxed to avoid double taxation
Switzerland	Gift tax for lifetime transfers ;gifts within 5 and 10 years before death are included as part of the estate in some cantons	Yes in some cantons	Inheritance and gifts between spouses and to descendants are exempt in most cantons[12]	Yes in some cantons	Yes in some cantons	No	Yes

[1] Note: 1= local domicile or resident; 2= foreign domicile or resident

[2] AA – appointed administrator; Dr – donor; De – donee; E – executor; I – inheritor; OMV; - open market value; SJT – surviving joint tenant; T – trustee

[3] To spouse and lineal descendants

[4] P – progressive rates; S – "slab" system: a flat rate is applied to the whole estate

[5] Estate tax : allowance NT$7 million + allowances for spouse (NT$4 million), children (NT$0.4 million each), parent (NT$1 million each), dependent siblings and grandparents (NT$0.4 million each) and handicapped (NT$5 million each)

Gift tax : annual deduction (NT$1 million), inter-spouse gifts, marriage gifts (NT$1 million) [Except spouse, non-resident deceased is not entitled to the allowances for others

[6] Exclude assets: (a) proceeds of life insurance, (b) bank deposits and certain other debt obligations, (c) work of art on loan for exhibition.

[7] Assets in UK excluded – (a) nearly all British Government securities (b) balances on non-sterling accounts with banks or the Post Office; and (c) holdings in authorized unit trusts and open-ended investment companies.

[8] Reduced value if the value of the asset given has fallen between the date of gift and the date of death, or actual sales price if listed securities/ land and buildings forming part of the estate are sold within 12 months / 4 years of death.

[9] For relevant business property, agricultural property and woodlands, provided it was owned by the transferor throughout the two years before the transfer.

[10] Including the increase in rate proportionate to the net assets received by each heir.

[11] Depending on the proximity of the family relationship between the deceased/donor and the recipient.

[12] Exempt except cantons Geneva, Jura and Vaud. It may extend to relatives in some cantons according to the relationship between the descendant and the beneficiary.