

Ola Sjöberg

Swedish Institute for Social Research

Ola.Sjoberg@sofi.su.se

Nothing is certain except death and taxes: taxing inherited wealth in comparative perspective

Inherited wealth has vital ramifications for the intergenerational reproduction of social inequality. Throughout history inheritance and estate taxes has therefore been seen as an essential part of the taxation system of nation states. The relative importance of these taxes in terms of revenue has, however, been quite small in most countries. The primary role of estate and inheritance taxes has rather been symbolic, signaling a commitment of the state to redress some of the more blatant inequalities generated by the market economy. To tax individuals according to their comprehensive income, which include changes in net worth and of inheritances and gifts received ensures the equitable treatment of individuals. This argument is consistent with the view that inheritances confer gains upon children who are able to use inherited wealth for consumption purposes without expending effort.

The point of departure for this paper is that analysing estate and inheritance taxes may reveal much about the politics of taxation and inequality in western nations. The complete abandonment of any attempt to tax bequests in countries such as Canada, New Zealand and Australia, and the decreasing importance of such taxes in most other western countries may be viewed as support for the thesis of declining public support for egalitarian policies. Others have viewed this development as a necessary adjustment to an ever more globalised world, where countries will not be able to diverge in terms of tax rates from their most important competitors on the world market.

This paper uses a completely new and unique dataset in order to analyze trends over time and differences between countries in central characteristics of inheritance and estate taxes. These characteristics include average and marginal tax rates, whether and to what degree different beneficiaries are treated differently and important exemptions to estate and inheritance tax law. The dataset covers 20 western countries over the period 1975-2005. Using multivariate analysis as well as historical case-studies, the paper examines the relationship between estate and inheritance taxes and core features of the political economy of western nation. Preliminary analyses reveal that the ideological orientation of dominant political parties, the structure of state institutions and the internationalization and globalization of economies appear to be important.