KPMG Private Enterprise

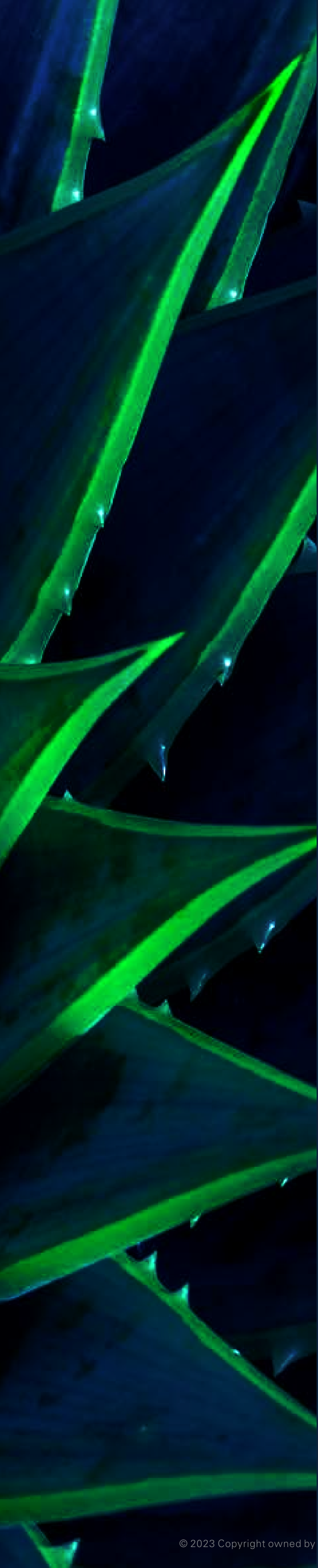
Global family business tax monitor 2023

Branching out, building up, giving back

KPMG International

kpmg.com/familybusiness

Contents



Foreword 04

What's new?
At a glance: Key provisions and potential developments 06

Taxing family business transfers — A world of differences 10

Case studies: 14
- Case study 1
- Case study 2

Family business succession in uncertain times: Key themes 30
- Branching out — More business families and their assets are going global
- Building up — Putting focus on governance and managing family wealth
- Giving back — Philanthropic activities are drawing more attention

Thinking ahead: Planning and communicating are critical 46

Summary notes by country, territory and jurisdiction 50

Contacts 61

“Amid rising geopolitical tension and significant economic uncertainty, the leading business families that our advisers work with are diversifying globally and putting more focus on the sustainability of their businesses, their wealth and their communities. By doing so, they are helping to position their families for sustainable success down the generations.”

Jonathan Lavender
Global Head
KPMG Private Enterprise
KPMG International

Foreword

For many family businesses, long-term sustainability depends on the successful transfer of business assets and family wealth from one generation to the next. On top of the profound emotional issues these transfers entail, tax, legal and a host of other issues should be considered. Today, these issues are multiplying as the pandemic's long-term effects make themselves known, long-simmering geopolitical conflicts erupt, a potential global recession looms, the consequences of climate change continue to emerge and technology opens up opportunities for new business models and ways of doing business.

With all of these forces at play, where should business families focus their attention when planning for succession? This report shares some insights into their current thinking and helps to confirm some of the experiences of business families on their most important considerations in planning the succession process.

For business families and governments around the world, KPMG Private Enterprise's *Global family business tax monitor* has regularly delivered insightful information on the implications of transferring the family business to the next generation, both through gifting during the owners' lifetime, including on retirement, and through inheritance. Since the first edition in 2014, which covered 23 European countries, the report now spans 57 countries, territories and jurisdictions worldwide.

In this latest edition, advisers from KPMG Private Enterprise in each covered country, territory and jurisdiction offer a snapshot of the domestic tax rules governing family business transfers — see the summary notes at the end of this report for details. These advisers also provided a detailed analysis of the outcomes of two case studies: one in which the shares in a family business are transferred on the owner's death (inheritance) and a second in which the transfer happens during the owner's lifetime (gifting).

As the case studies in this report show, there are significant disparities between tax regimes on:

- whether a specific tax relief is available and what conditions must be met to gain that tax relief; and
- whether taxes are applied on inheritances and family gifts directly or through other taxes and charges, such as capital gains taxes and stamp duties.

Domestic tax rules are only one factor helping to drive succession, investment and business planning. For broader context, this year's report surveys the lay of the land for today's business families, with insights on some of their biggest risks and priorities distilled from interviews with KPMG Private Enterprise leaders and advisers in selected countries, territories and jurisdictions.

Based on these discussions, we found that more business families around the world are:

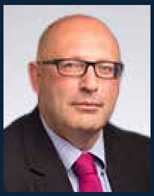
- **Branching out —** More business families are globalizing, and family members are more globally mobile, assets being diversified geographically, and businesses transitioning to greener models. But as long-established global business families should know, when people, activities and interests spread to ever more jurisdictions, the tax, legal and other risks can multiply. As the pandemic lingers in certain jurisdictions, these risks can be especially heightened for wealthy families. Governments are now looking to them as a potential source of much-needed revenue to help restore finances depleted by emergency relief delivered during the pandemic.

- **Building up —** KPMG Private Enterprise advisers are seeing increased rigor in the management of family wealth in many countries, territories and jurisdictions, with more reliance on family offices and more focus on governance. The transition often occurs as new generations are brought in to take part in the family's business and wealth affairs. At this point, the family's focus often turns from running the founding generation's business to managing the family's investments and capital for the long term. The business may also expand into new markets and industries in line with the next generation's values.

- **Giving back —** Business families have long played a philanthropic role, but the sharpening focus on transparency and environmental, social and governance (ESG) reporting (for the family business) is compelling many of them to be more public about their contributions. Part of this entails a change in how families are defining the purpose of wealth beyond capital in line with their values, social contributions and long-term legacies. They are also seeking ways to make more of an impact with their philanthropic works.

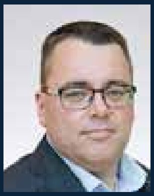
We trust that business families will find this report useful while preparing for the future of your family enterprise.

Tom McGinness
Global Leader
Family Business
KPMG Private Enterprise
KPMG International and
Partner, KPMG in the UK



Mike Linter
Global Head of KPMG Private Enterprise Tax,
Tax and Legal,
KPMG International, and
Partner, KPMG in the UK

Greg Limb
Global Head of Family Office and Private Client
KPMG Private Enterprise
KPMG International and
Partner, KPMG in the UK

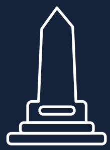


Olaf Leurs
Tax Partner
KPMG Private Enterprise
KPMG in the Netherlands

What's new?

At a glance: Key provisions and potential developments

Argentina



Over the last 2 years, the Argentinian government has been consulting with key stakeholders within the government on whether to implement an inheritance and gift tax nationally or to ask each province to implement a provincial version of the tax.

Belgium

Recent tax case law confirms that certain real estate activities that go beyond mere passive management of real estate may qualify as an 'economic activity,' which is one of the conditions that a family-owned business must meet for its shares to benefit from reduced inheritance tax rates or gift tax exemption.

Rio de Janeiro and São Paulo, Brazil

Brazil's Supreme Federal Court recently ruled that as long as there is no complementary federal law regulating inheritance and gifts taxes, no such tax should apply at the state level if:

- the donor or deceased person is domiciled outside Brazil;
- the inherited assets are located abroad; or
- the probate procedure itself occurs outside Brazil.

Brazil's state governments are considering increasing the inheritance and gift tax rates due to the COVID-19 pandemic emergency investments. Many states have already raised these rates to the 8 percent maximum, but increases are still being debated by São Paulo's state government.

Canada

The Canadian government recently introduced tax relief that is intended to address certain intergenerational transfers of small business corporation (including family farm and fishing) shares where parents or grandparents could incur a significantly higher tax bill than they would, had they sold those same shares to an arm's-length party. Generally, the new tax relief provides that where an individual taxpayer transfers shares of a qualified small business corporation to a company controlled by their children or grandchildren who are at least 18 years of age, the transfer does not result in a deemed dividend to the taxpayer where certain conditions are met. Where the new tax relief applies, taxpayers undertaking these transfers may instead be able to realize capital gains (e.g. in the province of British Columbia, the 2023 combined federal/provincial top marginal personal tax rate is 26.75 percent for capital gains and 36.54 percent/48.89 percent for dividends). These taxpayers can also potentially utilize their lifetime capital gains exemption (i.e. up to CAD971,190 for 2023), which is equivalent to the tax treatment that would apply if they sold the shares to an arm's-length party. This new tax relief was effective 29 June 2021.

Colombia

The Congress of Colombia has finalized a tax reform that applies for the 2023 fiscal year.

Among these changes, the tax rate increased to 15 percent (from 10 percent) and the maximum exemptions from personal tax decreased for both inheritance and gifts.

Germany

Starting in 2023, the valuation rules for real estate will change, leading to higher valuations for gift and inheritance taxation.

Greece

The gift tax rules were amended so that the donation of any type of assets (including shares and partnership units) to persons of first-degree kinship will be taxed at 10 percent of the asset's value, as determined based on specific rules included in the Greek Inheritance/Gift Tax Code, with an exemption of EUR800,000.

Hong Kong (SAR), China

The Hong Kong (SAR) government is introducing a tax concession for single family offices in Hong Kong (SAR) that is expected to have retrospective effect from 1 April 2022.[1] The concession will exempt profits derived by family-owned investment holding vehicles from Hong Kong (SAR) profits tax where the vehicle is held by a single family and managed by a single-family office (subject to conditions).

India

Although India currently has no inheritance tax, there are ongoing discussions about reintroducing one.

Japan

There is a recent proposal to comprehensively review the current inheritance tax system to better integrate inheritance and gift taxes. In addition, the proposal also includes an adjustment to the amount of deductions available on gifts.

Regarding gift taxes, gifts received within the 3-year period leading up to the time when an inheritance occurs should be subject to inheritance tax. However, according to the 2023 tax reform proposal, for 2024 and later years, the above 3-year lookback period will be extended to 7 years.

The 2023 proposal also allows taxpayers to claim the annual standard deduction of JPY1.1 million, unavailable under current law, in addition to the maximum total deduction of JPY25 million on gifts effected in 2024 and beyond when opting for the 'settlement at the time of inheritance' taxation system instead of the normal calendar year taxation system.

Malta

The time-limited tax incentive in terms of which a reduced rate of duty on documents and transfers of 1.5 percent (reduced from 2 percent or 5 percent) is applicable on the donation of company shares to qualifying family members has been extended to 31 December 2023.

Malaysia

The 2023 budget proposed that the stamp duty on transfer of property by way of love and affection between family members (spouses, parents and children, grandparents and grandchildren), executed from 1 January 2023 onwards, will be subject to nominal stamp duty of MYR10, provided the recipient of the property is a Malaysian citizen.

The above proposal is subject to the re-tabling of the budget, which is scheduled to occur on 24 February 2023.

Netherlands

The Dutch government's 2023 Tax Plan includes reassessing the business succession scheme to exclude leased real estate, so it will no longer be taxed at the reduced tax rate. There will also be a broader evaluation of the effectiveness of the exemption, but there seems to be no inclination to abolish it altogether. There is a discussion of reducing the 83 percent exemption for gift and inheritance tax, which would increase the tax due when a family business transfers to the next generation. The outcome of this discussion will likely be included in the 2024 Tax Plan.

[1] The Inland Revenue (Amendment) Bill 2022 is currently under review by the Legislative Council of Hong Kong (SAR).

New Zealand

In 2022, the New Zealand government indicated that it would increase its focus on preventing individuals from avoiding the top personal income tax rate of 39 percent by diverting income through lower-taxed entities. Proposals introduced during the year included amending the dividend rules so that the sale of company shares by a controlling shareholder (more than 50 percent shareholding) will be treated as a taxable dividend to the extent that the company has undistributed earnings at the time of sale. In response to concerns around the wide scope of this proposal and tight implementation timeframe, officials recommended that the changes not proceed for now. However, this reprieve is likely to be temporary.

Poland

The *Act on Family Foundations* was signed by the President on 6 February 2023, and will enter into force 3 months after its publication, which is in May 2023. The proposed legislation brings such an entity into the Polish legal system and will help Polish entrepreneurs transfer their business to the next generation more effectively. The plan includes setting favorable taxation rules that will allow family foundations to claim a corporate income tax exemption for income earned by a family foundation from its activities, to the extent allowed by the *Act on Family Foundations* (e.g. lease, dividend, granting loans to companies in which it holds shares).

Slovakia

During 2021, the Ministry of Economy in Slovakia introduced an action plan for small and family businesses that sets out 10 principles for creating and improving legal and administrative environment, although no significant changes were made to the taxation of family business.

South Korea

The Korean government has proposed to reduce inheritance and gift taxes for family businesses with reference to the business's operating period as follows:

- For inheritance tax, the taxable value limits available for deduction would range from KRW40 billion to KRW100 billion.
- For gift tax, the value limit is increased for gifted properties eligible for the low tax rates of 10 percent to KRW100 billion, and 20 percent for those valued at over KRW6 billion.

Another proposal in favor of taxpayers would reduce the follow-up period for special inheritance and gift tax benefits for family businesses to 5 years (from 7 years).

Portugal

As of 1 January 2023, a new rule entered into force establishing that short-term gains arising from the sale of companies' shares are subject to the progressive tax rates (up to 53 percent) whenever the shares have been held for less than 365 days, and the taxable income of the individual is EUR78,834 or more (the last tax bracket).

The acquisition cost of securities acquired by donation that is exempt from stamp duty will corresponds to the stamp duty assessed in the 2 years before the donation.

South Africa

Introducing a wealth tax is being discussed, with the 2022 Budget stating that the South African Revenue Service will focus on consolidating wealth data for taxpayers through third-party information, which would help in 'assessing the feasibility of a wealth tax'. The High Net Wealth Unit has also been established with the aims of enhancing compliance and increasing collections from those considered high net wealth individuals. South Africa's annual budget speech in February 2023 may provide further insights.

Spain

Current proposals may eliminate differences in tax laws between Spain's different autonomous regions (Madrid and Andalusia) in order to unify the tax treatment of inheritances throughout Spain. The government also proposed to legislate tax rate increases, which include raising the personal income tax rate on capital gains to 27 percent (from 23 percent).

Zimbabwe

Zimbabwe's government has increased capital gains tax rates to help recover financial support provided during the pandemic.

Taxing family business transfers — A world of differences

As business families look ahead to determine their best approach to succession, a host of personal, legal and business issues come into plan — tax being one of the most important factors influencing how and when the business should be passed on to the next generation.

With more business families going global and seeing their members disperse geographically, inconsistencies among jurisdictions in the tax treatment of transfers during the owner's lifetime (by gift) and on death (by bequest) across various countries can make their business and wealth succession plans even more complicated.

This report highlights the wide discrepancies in tax treatment of family businesses around the world and reflects the planning challenges that all business families face in managing the tax burden associated with transferring a business. While the case studies examine the tax results in detail, a host of other factors — business and personal — should also be considered as part of business succession planning in order to produce the best outcome.

Case studies: Highlights and takeaways

Given the wide variation in tax approaches taken by different countries, territories and jurisdictions to family business transmission, it's hard to draw broad conclusions by region, size or other factors, much less make global assumptions. For example, larger, older economies tend to have tax regimes with higher tax rates and more complicated requirements for exemptions — but not always. Some emerging economies have imposed significant and complex tax rules as well.

Of the 57 countries surveyed for the report, 18 have a specific inheritance tax[2] that applies for the intra-family transmission of a family business valued at EUR10 million and 21 apply inheritance tax[3] on such

[2] After exemptions

businesses valued at EUR100 million. Seventeen countries have a gift tax[4] that applies for lifetime transfers of a business valued at EUR10 million business, and 19 countries apply a gift tax[5] on transfers of EUR100 million.

Of the top 10 countries surveyed with the largest gross domestic products (GDPs), only two — **China** and **Italy** —have no gift or inheritance tax that applies to the transfer of a family business. Seven others — the **US, Japan, Germany, the UK, Brazil** and **Canada** — have taxes that apply to lifetime transfers and transfers on death.

Globally, **South Korea, France, the US** and **the UK** impose the highest tax rates for transfer of a family business, valued at EUR10 million by inheritance, before exemptions. With exemptions, however, the tax due can drop to zero for each of these countries except France. In that country, exemptions can still cut the tax bill from almost EUR4.3 million to below EUR1 million.

After accounting for exemptions, **South Africa** takes the biggest bite from family business inheritances valued at EUR10 million by far. With an overall inheritance and personal income tax bill topping EUR3.5 million in these cases, South Africa's tax burden far outweighs those resulting post-exemption in the next top two highest taxing jurisdictions for inheritances, namely **Canada** (about EUR2.2 million) and **Japan** (about EUR2.1 million).

For inheritances of family businesses over EUR100 million, however, the most expensive taxing jurisdiction is **South Korea** after exemptions are considered, with **South Africa** and the **US** coming second and third.

For lifetime transfers of family businesses valued at EUR10 million, **Venezuela** imposes the highest taxes globally before exemptions, followed by **Spain, South Korea** and **France**. Venezuela offers no exemptions whatsoever, so lifetime gifts in our case study can attract a whopping 55 percent tax rate. For the other three countries, the picture changes significantly once exemptions are factored in, and most dramatically for such transfers in Spain, where total taxes on the transfer fall from over EUR4.6 million with no exemptions to just over EUR100,000 after exemptions are claimed.

After exemptions, **South Africa** and **Japan** come second and third behind **Venezuela** as the jurisdictions imposing the highest tax costs on business transfers by gift.

Similar gift tax outcomes are seen for family businesses valued at EUR100 million before and after exemptions, with **Venezuela** imposing the highest taxes payable in both cases. After exemptions, however, **South Korea** is the second most expensive, followed by **South Africa**, while **Japan** becomes the ninth in this ranking.

Among the various regions and even among neighboring countries, differing tax treatments can produce vastly different results. In the Americas, for example, **Canada** imposes only about half of the US tax before exemptions for the transfer of a EUR10 million family business. After exemptions, however, the **US** tax burden drops to nil while the reduction in Canadian taxes is nominal.

Advance planning around complex conditions is key

As a fiscal policy, allowing entrepreneurial families to retain wealth so they can invest it in profit-producing activities is known to significantly stimulate job creation and innovation, leading to broader economic benefits. That's why many of the countries featured in this report provide tax support for business transfers both during lifetime and on death.

However, the support often comes with complex restrictions on holdings and activities designed to ensure the business continues and the rules are not abused to avoid tax inappropriately. No matter where business families are located, advance planning is often needed to secure the full benefits of any tax concessions in place to facilitate the intergenerational transfers of a family businesses.

[3,4,5] After exemptions

Case study 1

Family business succession — EUR10 million

Erik Jackson owned his family business, Jackson Networks, for over 10 years. He invested EUR1 million to establish the company and has worked hard over the years to build it. The current balance sheet is shown below. The business is now valued at EUR10 million on an arm's-length, third-party basis (which includes EUR5 million of goodwill). All assets in the company are used for the purposes of the business.

Jackson Networks balance sheet as at date of transfer

Manufacturing facility (real estate)	EUR3,000,000
Inventory	EUR2,000,000
Trade debtors	EUR2,000,000
Cash (used in the business)	EUR1,000,000
Total assets	**EUR8,000,000**
Share capital	EUR1,000,000
Distributable reserves	EUR4,000,000
Bank debt	EUR3,000,000
Total liabilities	**EUR8,000,000**

Erik's spouse Jennifer died in 2012 and he had one daughter, Lianne, who is 35 years old.

What are the tax implications:

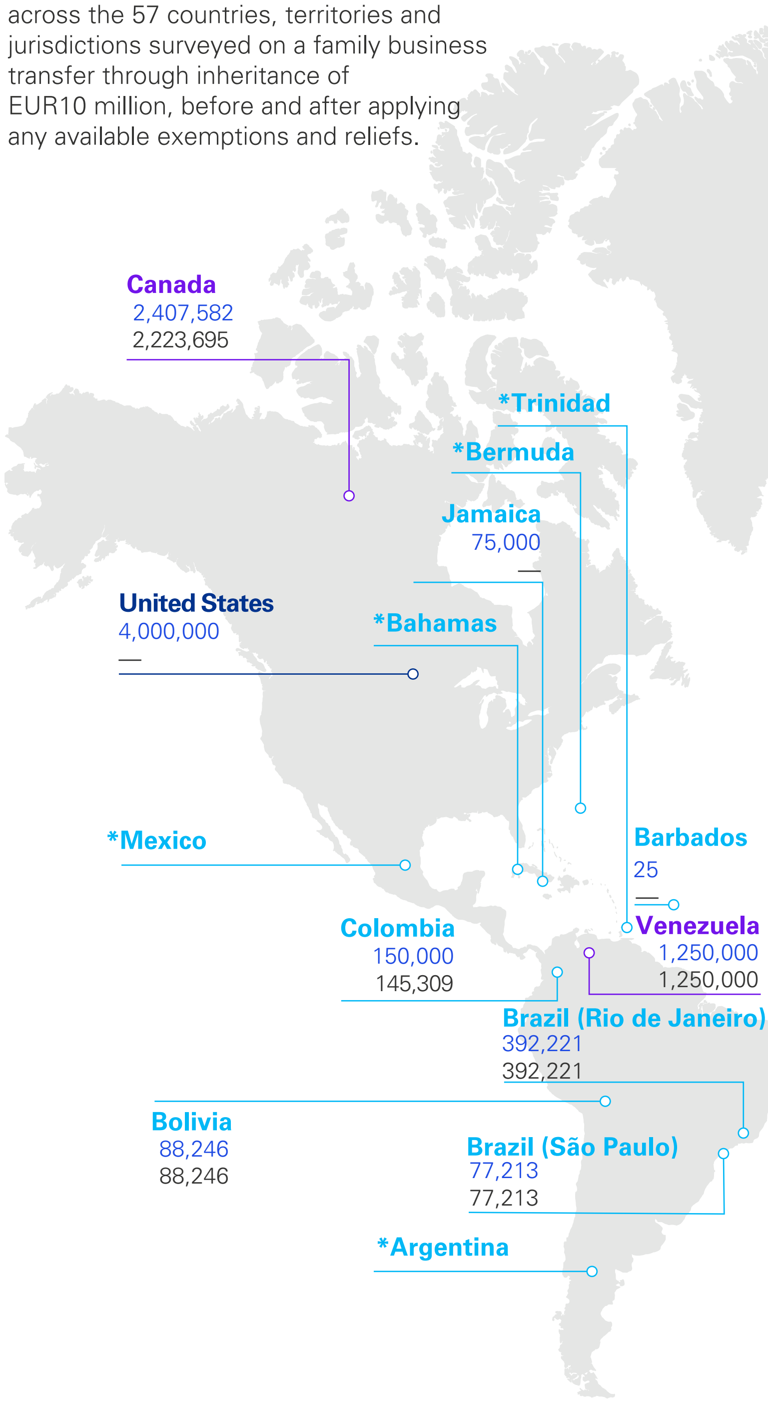
1. If Erik unfortunately passes away in early 2023 and in his will he had requested the business be passed to Lianne, who intends to continue the business for the next 10 years or so?

2. If Erik, who is getting older and wishes to retire, gifts Jackson Networks to his daughter Lianne, who intends to continue the business for at least the next 10 years or so? The gift is not related to any employment of Lianne in the business.

The results for 57 countries, territories and jurisdictions covered in this survey, before and after available exemptions, are summarized in the following pages in figures 1a, 1b, 1c, 1d, 1e and 1f. Key highlights and takeaways from the results are summarized on page 50.

Figure 1a: Country/territory/jurisdiction comparison of tax treatment pre- and post-application of exemptions and reliefs on a family business transfer through inheritance.

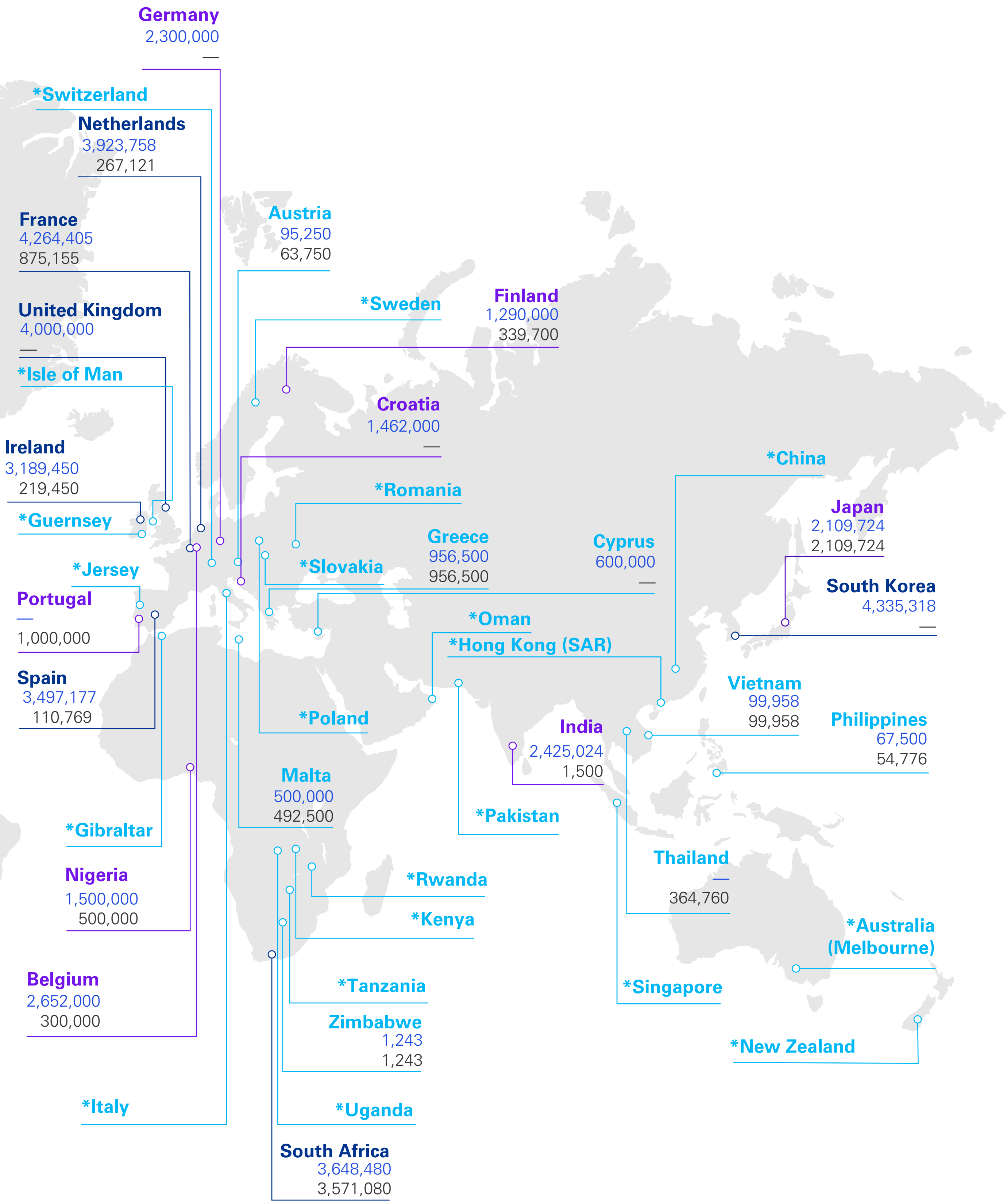
This figure shows an overview of tax levied across the 57 countries, territories and jurisdictions surveyed on a family business transfer through inheritance of EUR10 million, before and after applying any available exemptions and reliefs.



Tax due before exemptions | Tax due with exemptions

>EUR3 million
EUR1 million–EUR3 million
<EUR1 million

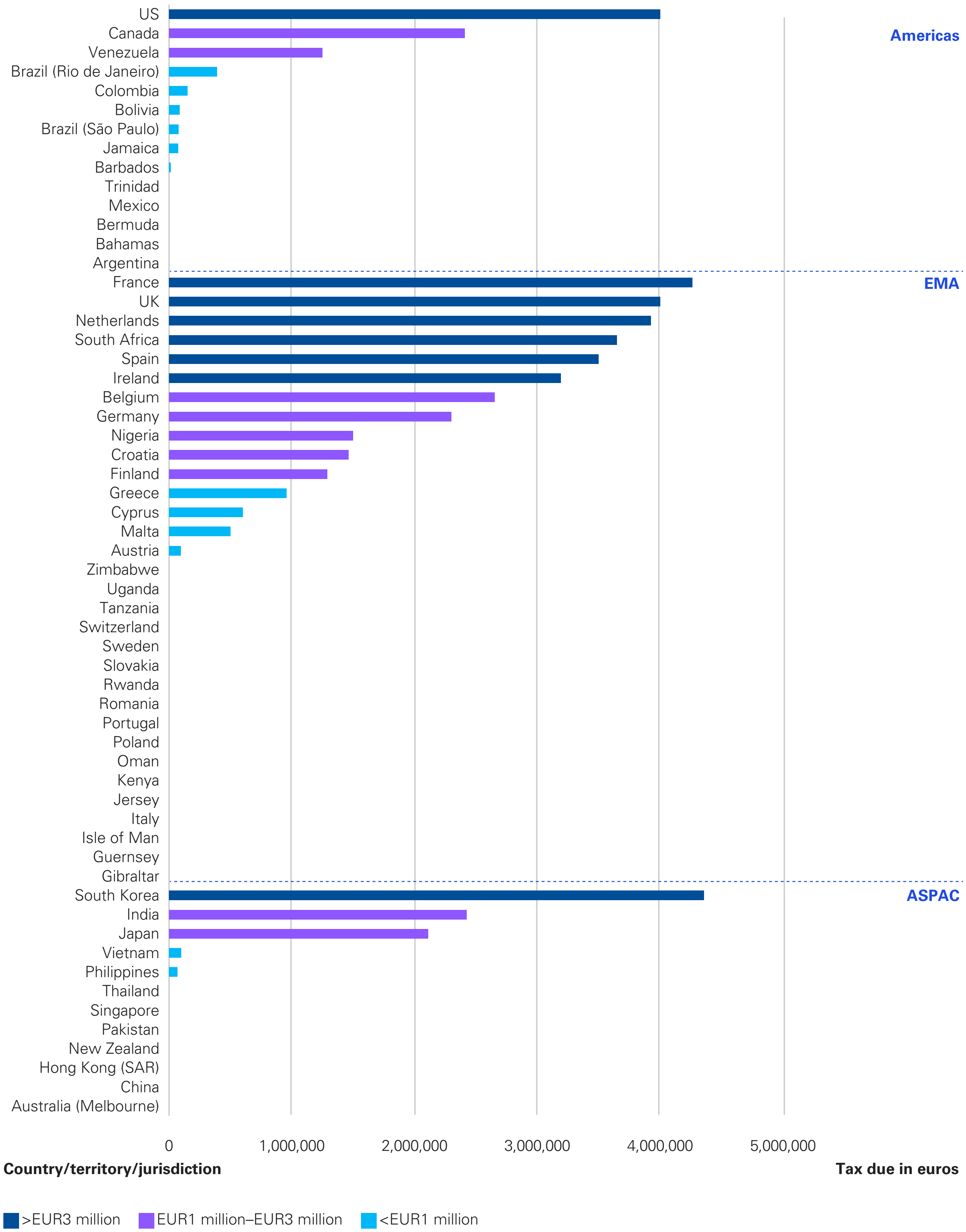
*This country/jurisdiction applies no taxes on a family business transfer on inheritance.



Germany
2,300,000
—
*Switzerland
Netherlands
3,923,758
267,121
France
4,264,405
875,155
Austria
95,250
63,750
United Kingdom
4,000,000
—
*Sweden
Finland
1,290,000
339,700
*Isle of Man
Croatia
1,462,000
—
Ireland
3,189,450
219,450
*China
*Romania
Japan
2,109,724
2,109,724
*Guernsey
Greece
956,500
956,500
Cyprus
600,000
—
*Slovakia
*Jersey
Portugal
—
1,000,000
South Korea
4,335,318
—
*Oman
*Hong Kong (SAR)
Spain
3,497,177
110,769
Vietnam
99,958
99,958
*Poland
India
2,425,024
1,500
Philippines
67,500
54,776
Malta
500,000
492,500
*Pakistan
*Gibraltar
Thailand
—
364,760
Nigeria
1,500,000
500,000
*Rwanda
*Kenya
*Australia
(Melbourne)
Belgium
2,652,000
300,000
*Tanzania
*Singapore
Zimbabwe
1,243
1,243
*New Zealand
*Italy
*Uganda
South Africa
3,648,480
3,571,080

Case 1: Family business transfer through inheritance

Figure 1b: *Tax due before exemptions*



Case 1: Family business transfer through inheritance

Figure 1c: *Tax due with exemptions*

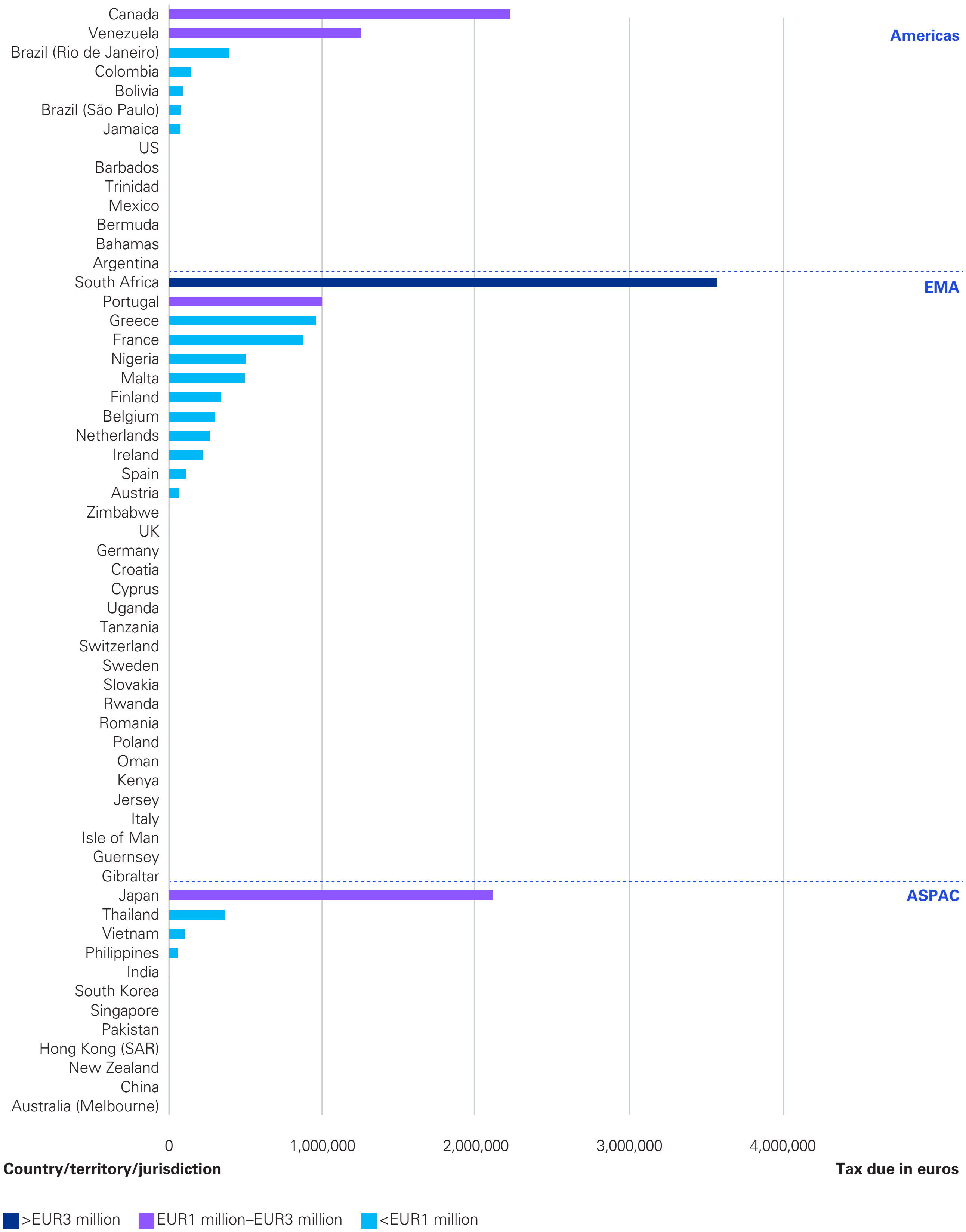
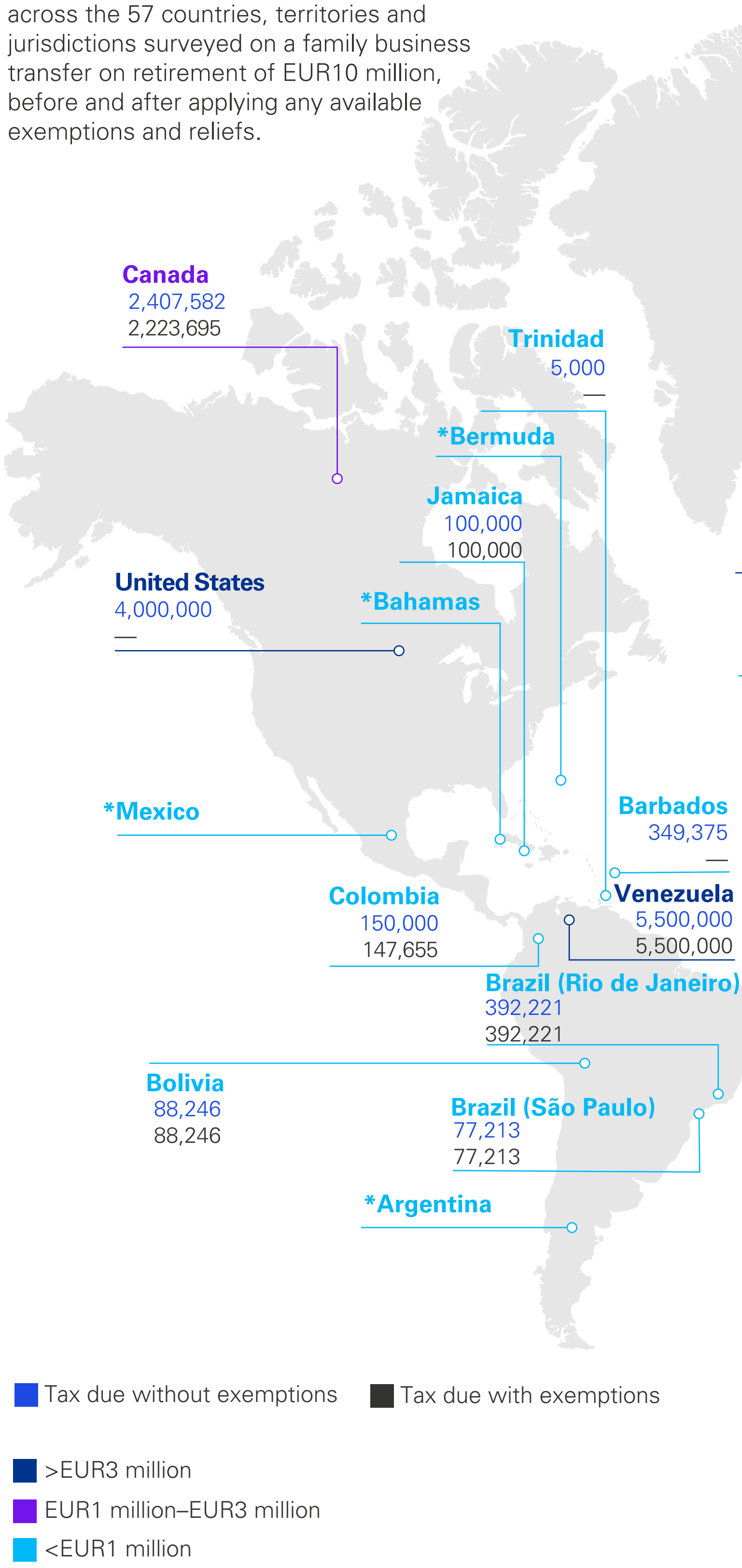
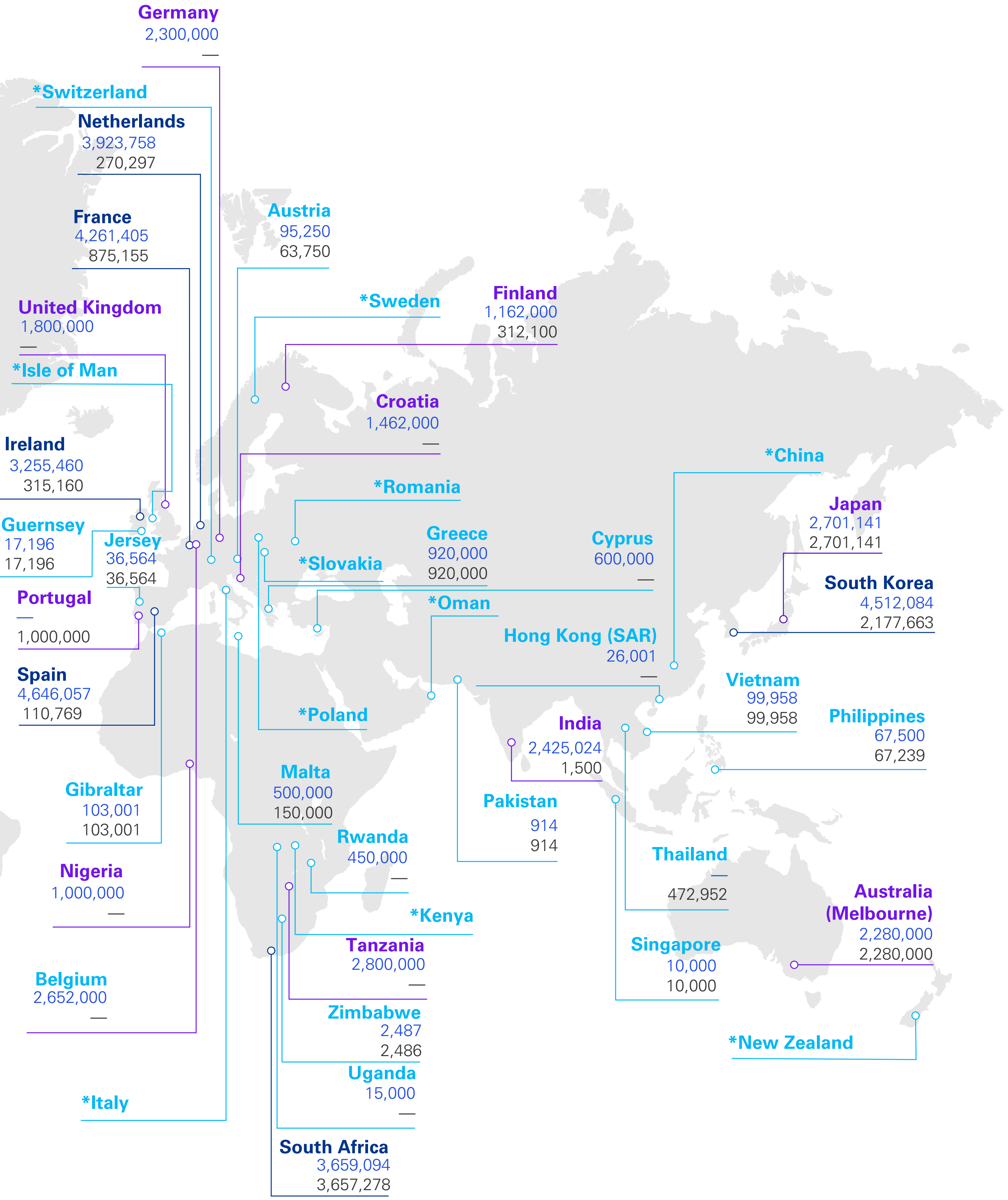


Figure 1d: Country/territory/jurisdiction comparison of tax treatment pre- and post-application of exemptions and reliefs on a family business transfer on retirement.

This figure shows an overview of tax levied across the 57 countries, territories and jurisdictions surveyed on a family business transfer on retirement of EUR10 million, before and after applying any available exemptions and reliefs.

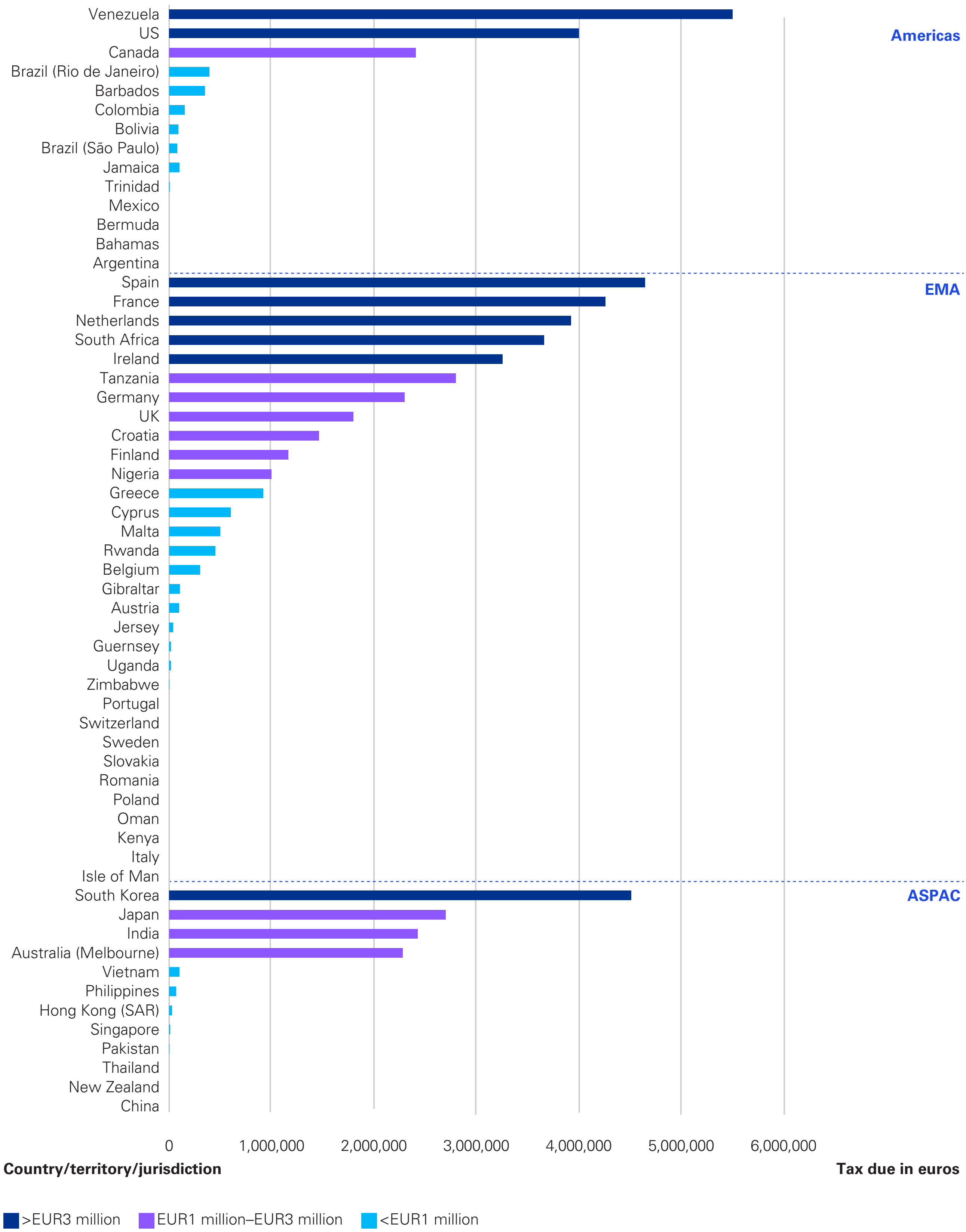


*This country/jurisdiction applies no taxes on a family business transfer on inheritance.


Germany
2,300,000
—
*Switzerland
Netherlands
3,923,758
270,297
France
4,261,405
875,155
Austria
95,250
63,750
United Kingdom
1,800,000
—
*Sweden
Finland
1,162,000
312,100
*Isle of Man
Croatia
1,462,000
—
Ireland
3,255,460
315,160
*Romania
*China
Guernsey
17,196
17,196
Jersey
36,564
36,564
Greece
920,000
920,000
Cyprus
600,000
—
Japan
2,701,141
2,701,141
*Slovakia
Portugal
—
1,000,000
*Oman
South Korea
4,512,084
2,177,663
Hong Kong (SAR)
26,001
—
Spain
4,646,057
110,769
Vietnam
99,958
99,958
*Poland
India
2,425,024
1,500
Philippines
67,500
67,239
Malta
500,000
150,000
Gibraltar
103,001
103,001
Pakistan
914
914
Rwanda
450,000
—
Thailand
—
472,952
Nigeria
1,000,000
—
*Kenya
Australia
(Melbourne)
2,280,000
2,280,000
Tanzania
2,800,000
—
Singapore
10,000
10,000
Belgium
2,652,000
—
Zimbabwe
2,487
2,486
*New Zealand
Uganda
15,000
—
*Italy
South Africa
3,659,094
3,657,278

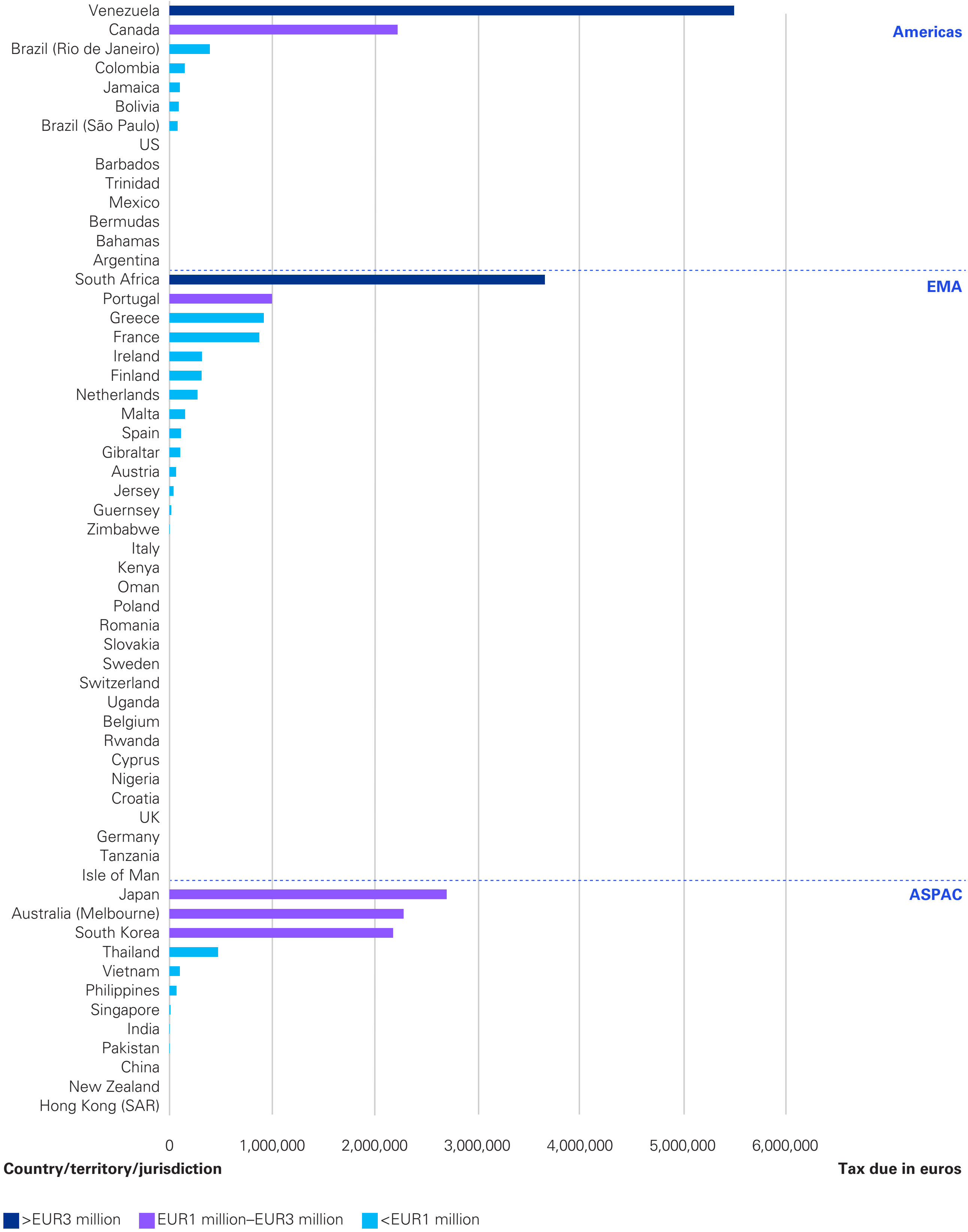
Case 1: Family business transfer through gifting

Figure 1e: *Tax due without exemptions*



Case 1: Family business transfer through gifting

Figure 1f: *Tax due with exemptions*



Case study 2

Family business succession — EUR100 million

Erik Jackson owned his family business, Jackson Networks, for over 10 years. He invested EUR10 million to establish the company and has worked hard over the years to build it. The current balance sheet is shown below. The business is now valued at EUR100 million on an arm's-length, third-party basis (which includes EUR50 million of goodwill). All assets in the company are used for the purposes of the business.

Jackson Networks balance sheet as at date of transfer

Manufacturing facility (real estate)	EUR30,000,000
Inventory	EUR20,000,000
Trade debtors	EUR20,000,000
Cash (used in the business)	EUR10,000,000
Total assets	**EUR80,000,000**
Share capital	EUR10,000,000
Distributable reserves	EUR40,000,000
Bank debt	EUR30,000,000
Total liabilities	**EUR80,000,000**

Erik's spouse Jennifer died in 2012 and he had one daughter, Lianne, who is 35 years old.

What are the tax implications:

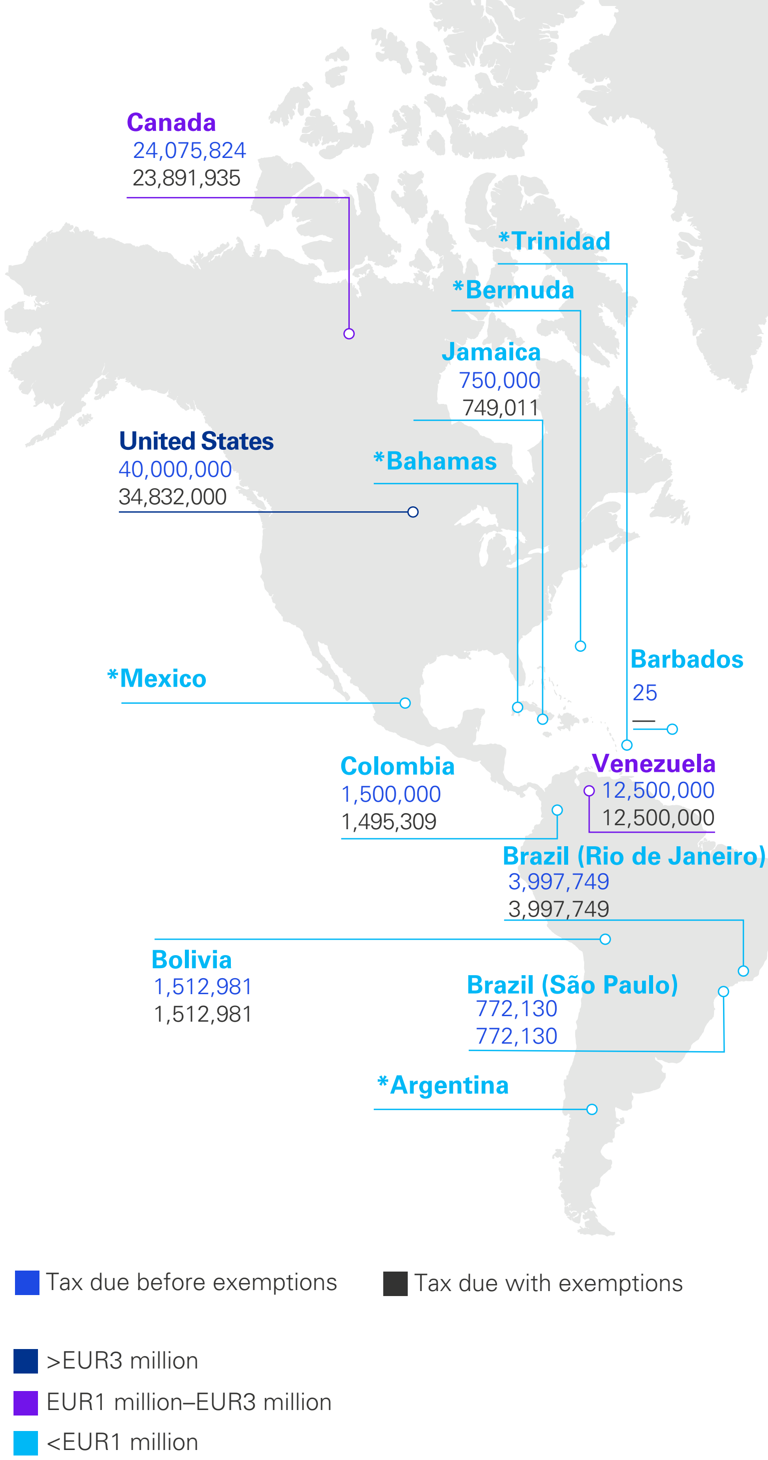
1. If Erik unfortunately passes away in early 2023 and in his will he had requested the business be passed to Lianne, who intends to continue the business for the next 10 years or so?

2. If Erik, who is getting older and wishes to retire, gifts Jackson Networks to his daughter Lianne, who intends to continue the business for at least the next 10 years or so? The gift is not related to any employment of Lianne in the business.

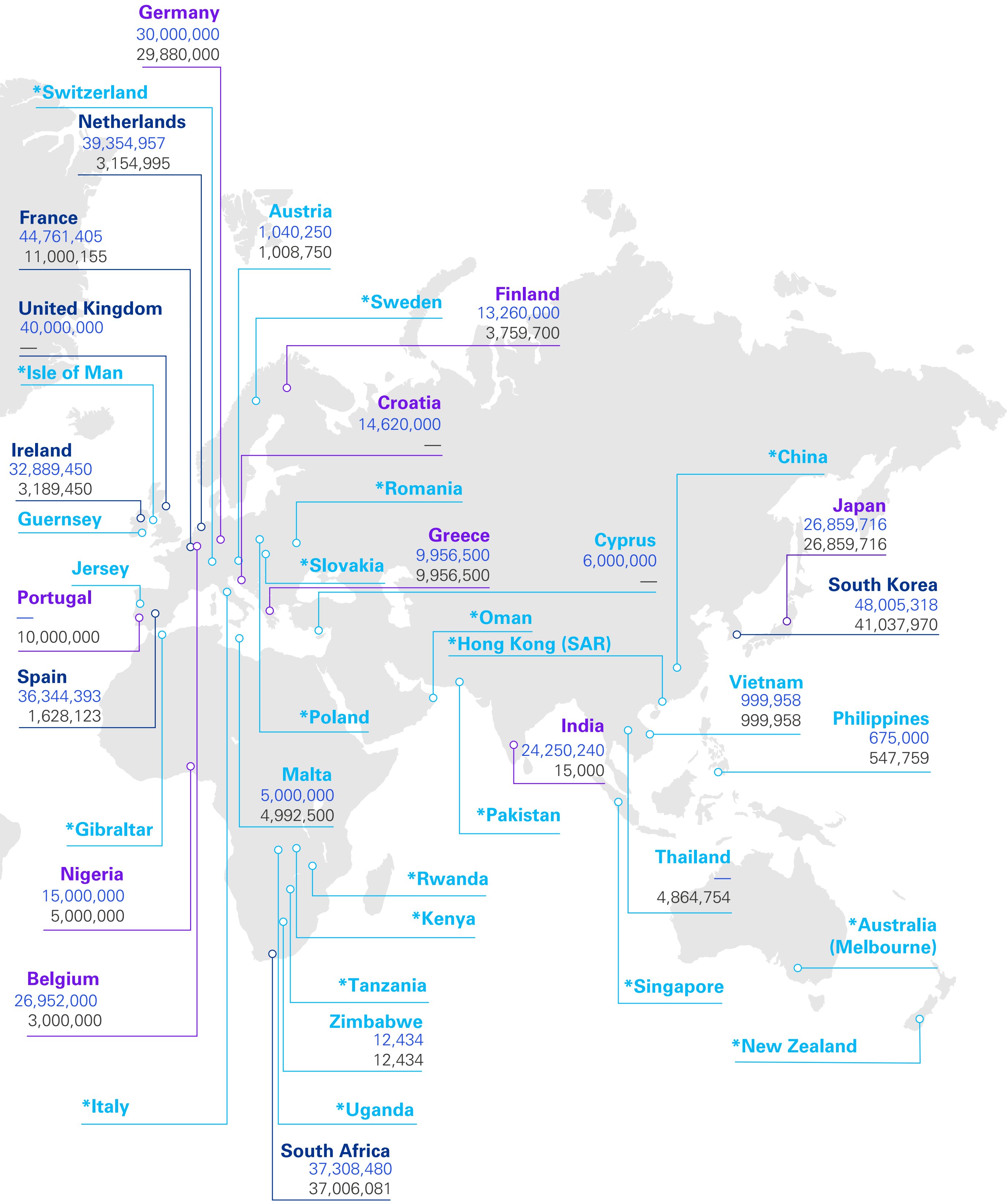
The results for 57 countries, territories and jurisdictions covered in this survey, before and after available exemptions, are summarized in the following pages in figures 2a, 2b , 2c, 2d, 2e and 2f. Key highlights and takeaways from the results are summarized on page 50.

Figure 2a: Country/territory/jurisdiction comparison of tax treatment pre- and post-application of exemptions and reliefs on a family business transfer through inheritance.

This figure shows an overview of tax levied across the 57 countries, territories and jurisdictions surveyed on a family business transfer through inheritance of EUR100 million, before and after applying any available exemptions and reliefs.

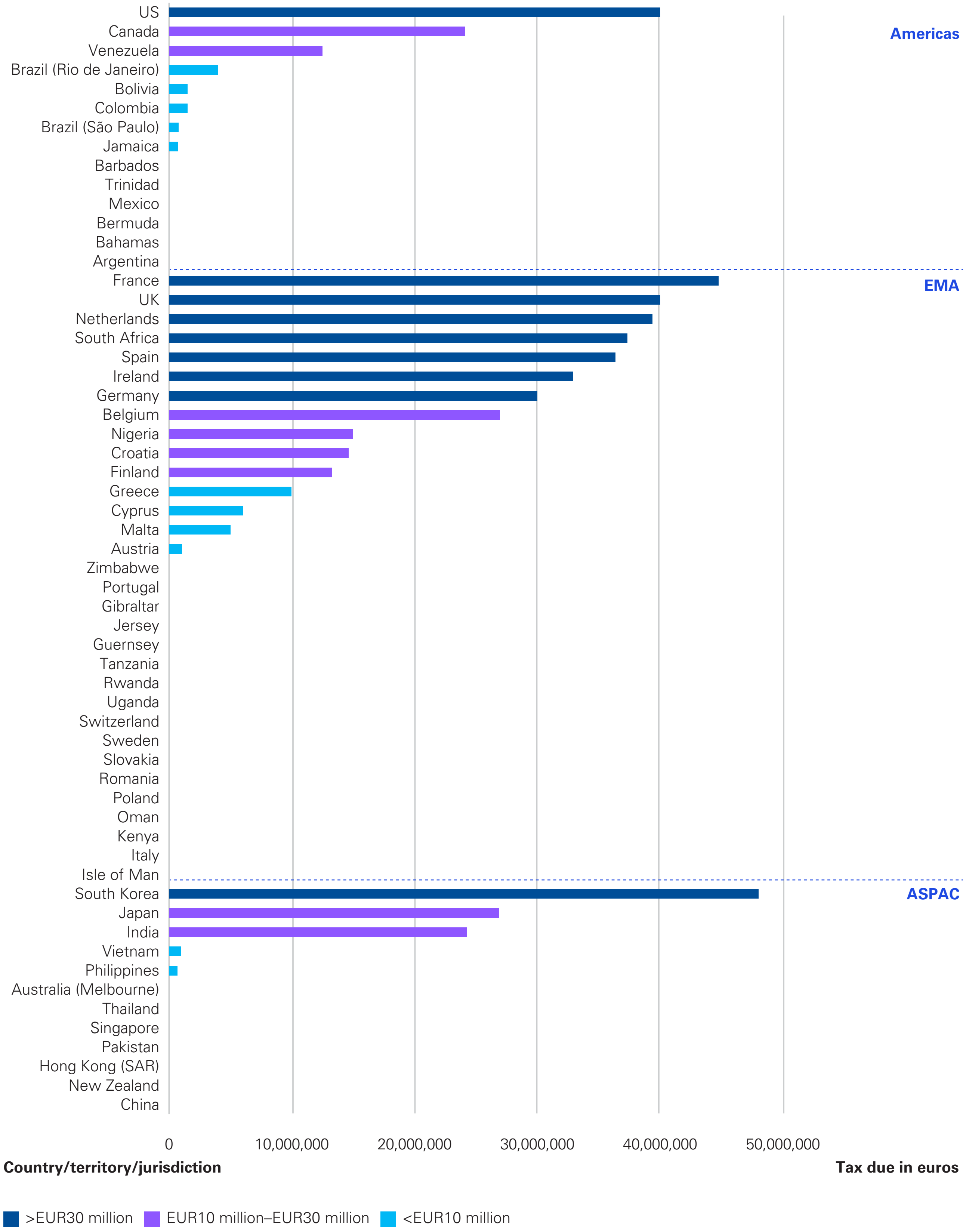


*This country/jurisdiction applies no taxes on a family business transfer on inheritance.


Germany
30,000,000
29,880,000
*Switzerland
Netherlands
39,354,957
3,154,995
France
44,761,405
11,000,155
United Kingdom
40,000,000
—
*Isle of Man
Ireland
32,889,450
3,189,450
Guernsey
Jersey
Portugal
—
10,000,000
Spain
36,344,393
1,628,123
*Gibraltar
Nigeria
15,000,000
5,000,000
Belgium
26,952,000
3,000,000
*Italy
Austria
1,040,250
1,008,750
*Sweden
Finland
13,260,000
3,759,700
Croatia
14,620,000
—
*Romania
*Slovakia
Greece
9,956,500
9,956,500
Cyprus
6,000,000
—
*Poland
Malta
5,000,000
4,992,500
*Oman
*Hong Kong (SAR)
India
24,250,240
15,000
*Pakistan
*Rwanda
*Kenya
*Tanzania
Zimbabwe
12,434
12,434
*Uganda
South Africa
37,308,480
37,006,081
*China
Japan
26,859,716
26,859,716
South Korea
48,005,318
41,037,970
Vietnam
999,958
999,958
Philippines
675,000
547,759
Thailand
—
4,864,754
*Singapore
*Australia (Melbourne)
*New Zealand

Case 2: Family business transfer through inheritance

Figure 2b: *Tax due before exemptions*



Case 2: Family business transfer through inheritance

Figure 2c: *Tax due with exemptions*

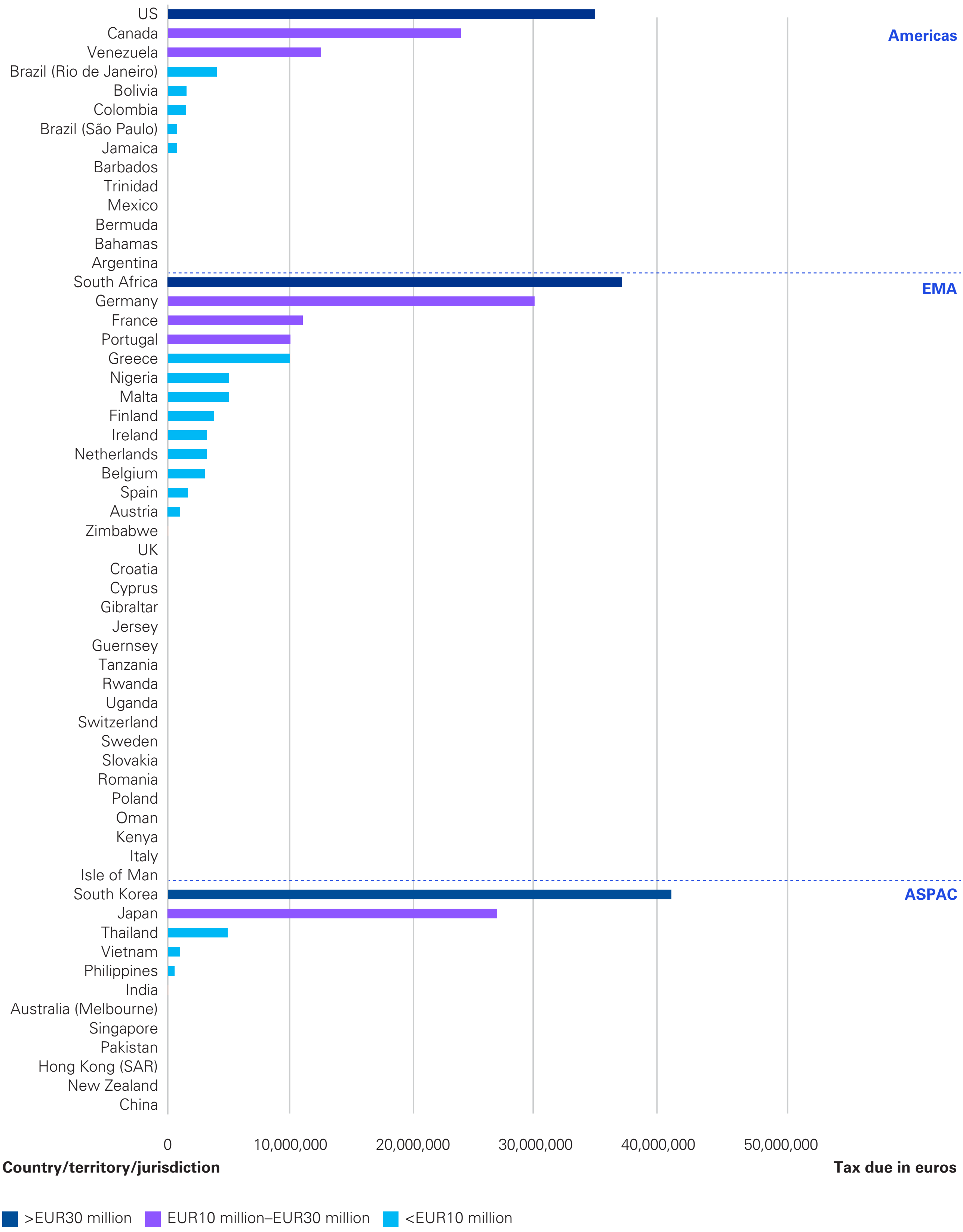
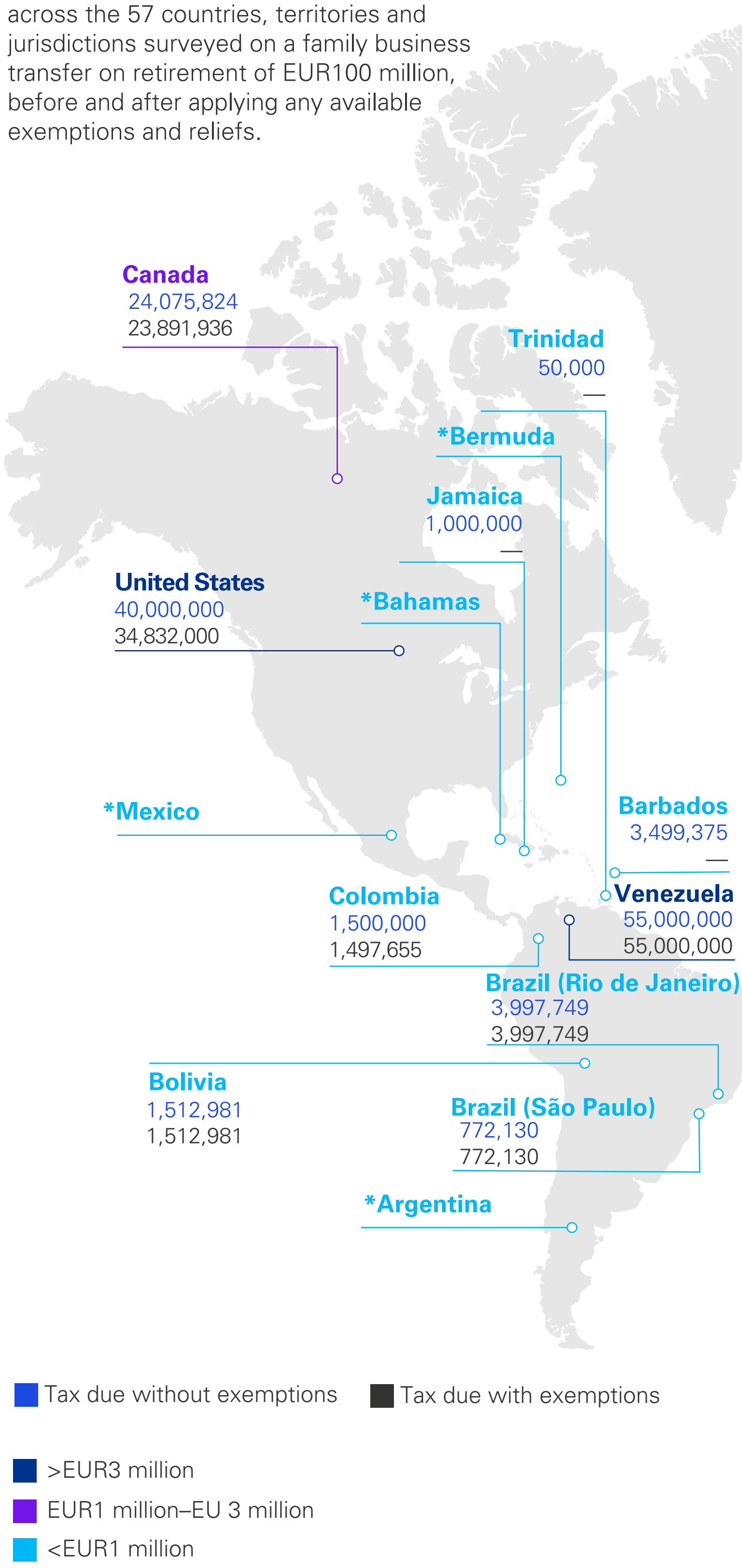
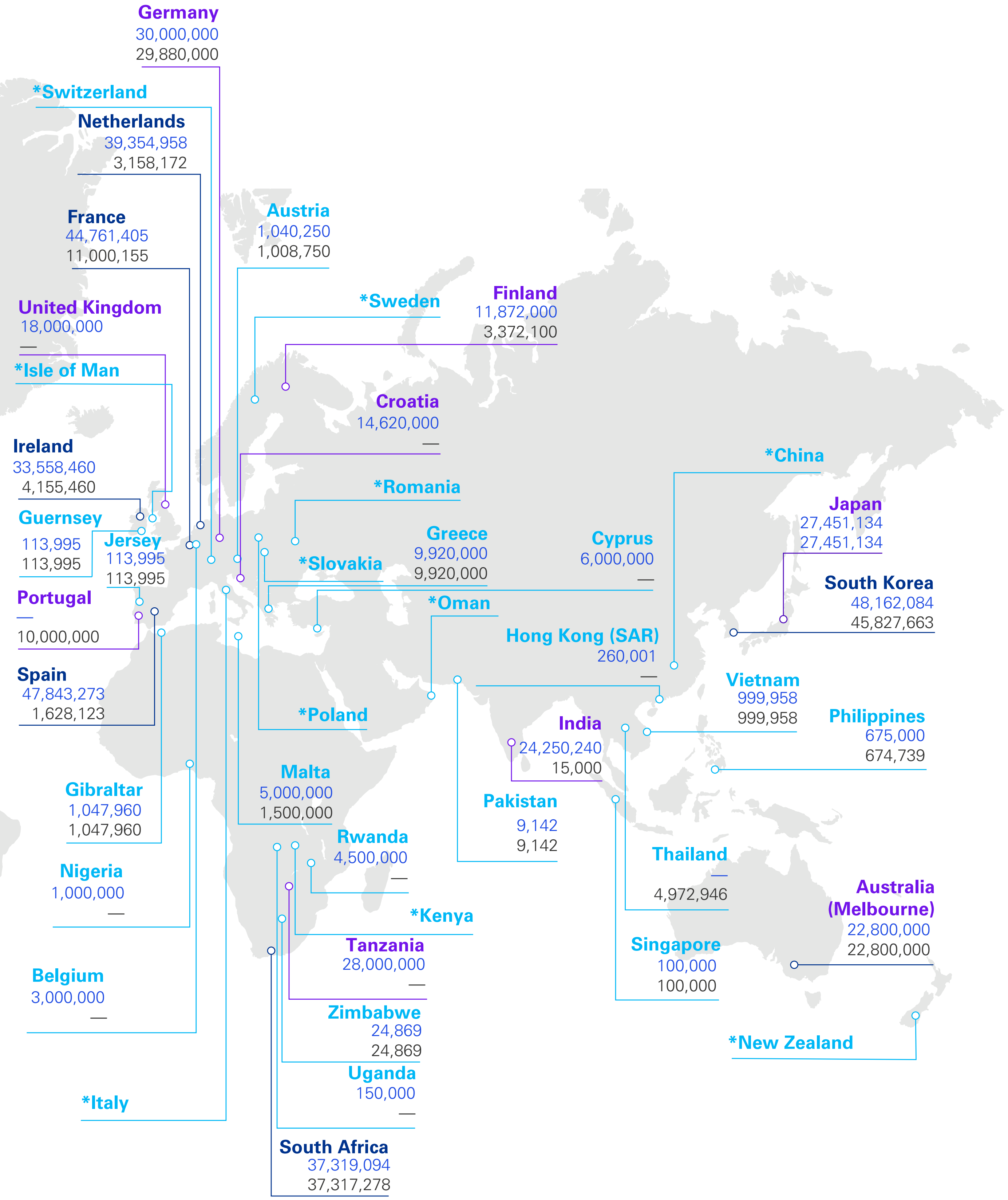


Figure 2d: Country/territory/jurisdiction comparison of tax treatment pre- and post-application of exemptions and reliefs on a family business transfer on retirement.

This figure shows an overview of tax levied across the 57 countries, territories and jurisdictions surveyed on a family business transfer on retirement of EUR100 million, before and after applying any available exemptions and reliefs.

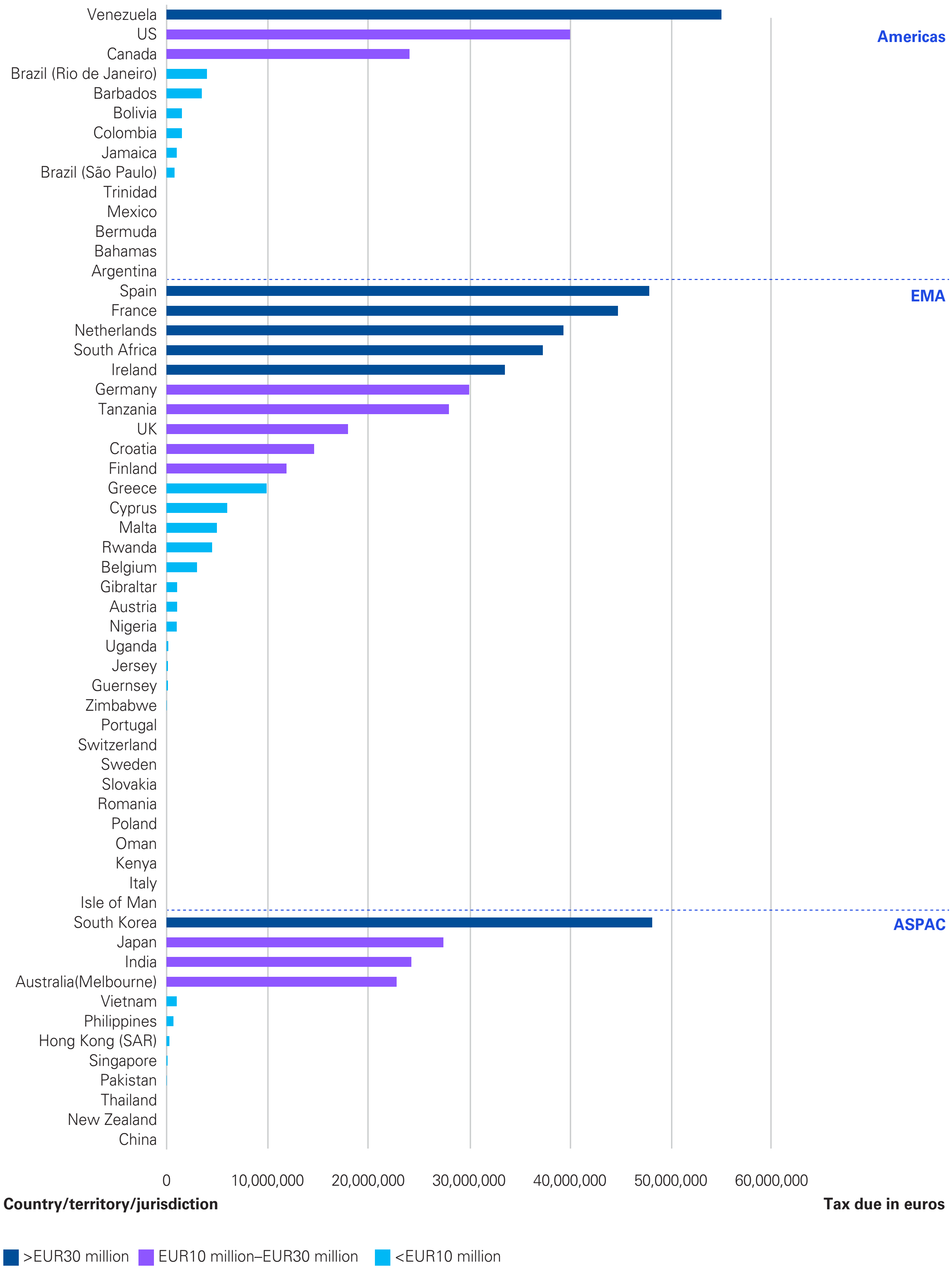


*This country/jurisdiction applies no taxes on a family business transfer on inheritance.


Germany
30,000,000
29,880,000
*Switzerland
Netherlands
39,354,958
3,158,172
France
44,761,405
11,000,155
Austria
1,040,250
1,008,750
United Kingdom
18,000,000
—
*Sweden
Finland
11,872,000
3,372,100
*Isle of Man
Croatia
14,620,000
—
Ireland
33,558,460
4,155,460
*China
*Romania
Japan
27,451,134
27,451,134
Guernsey
113,995
113,995
Jersey
113,995
113,995
Greece
9,920,000
9,920,000
Cyprus
6,000,000
—
*Slovakia
South Korea
48,162,084
45,827,663
Portugal
—
10,000,000
*Oman
Hong Kong (SAR)
260,001
—
Spain
47,843,273
1,628,123
Vietnam
999,958
999,958
*Poland
India
24,250,240
15,000
Philippines
675,000
674,739
Malta
5,000,000
1,500,000
Gibraltar
1,047,960
1,047,960
Pakistan
9,142
9,142
Rwanda
4,500,000
—
Thailand
—
4,972,946
Nigeria
1,000,000
—
*Kenya
Australia
(Melbourne)
22,800,000
22,800,000
Tanzania
28,000,000
—
Singapore
100,000
100,000
Belgium
3,000,000
—
Zimbabwe
24,869
24,869
*New Zealand
Uganda
150,000
—
*Italy
South Africa
37,319,094
37,317,278

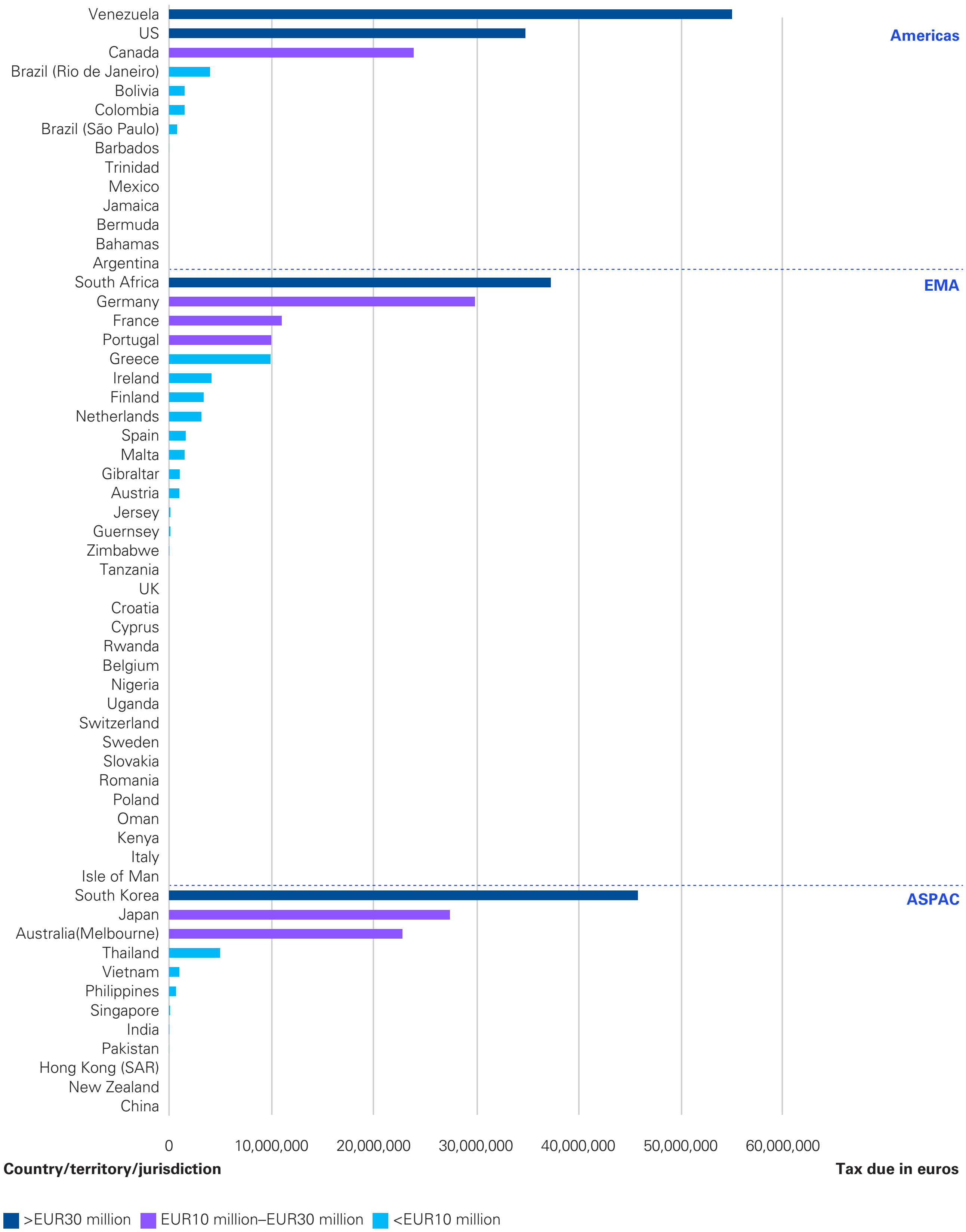
Case 2: Family business transfer through gifting

Figure 2e: *Tax due without exemptions*



Case 2: Family business transfer through gifting

Figure 2f: *Tax due with exemptions*



Family business succession in uncertain times: Key themes

In gathering insights from KPMG Private Enterprise advisers in firms worldwide, three key trends emerged that business families around the world should consider as they develop their long-term plans for their businesses and their wealth:

Branching out

More business families and their assets are going global.

Building up

Governance and managing family wealth are gaining priority.

Giving back

Philanthropic activities are drawing more attention.

Let's look at each of these trends in more detail.

Branching out — More business families and their assets are going global

The case studies in this report only consider the tax treatment in one jurisdiction. When the rules of more than one jurisdiction are in play, any tax and legal planning becomes exponentially more complicated. This is the reality for the growing number of business families with assets and stakeholders all over the world.

For long-established business families, globalization is part of their natural evolution as families and their businesses grow, and new generations seek new horizons. This is true not only for many families in developed economies but also increasingly in emerging markets as more family businesses mature and achieve scale.

Now, however, a number of factors are driving even more business families to globalize and face the significant tax, legal and other complexities that arise in the international context.

Perhaps one of the biggest is increasing digitalization and, in particular, the pandemic-driven shift to remote working, which gives many business family members more flexibility to decide where they live and work. In our view, the current international tax framework is not yet equipped for this level of mobility.

“

When the pandemic started, we saw business families wondering whether they should streamline their residences and properties in light of the movement restrictions that were in place. But what transpired was the opposite: over time the pandemic really opened the eyes of many business families to the new normal, what virtual working would enable them to do and how much flexibility it provides about where they want to be.”

Gavin Shaw
Partner
Family Office & Private Client
KPMG Private Enterprise
KPMG in the UK

Further, despite the economic downturn, many business families have a high proportion of capital sitting in the business waiting to be deployed. They are looking at different kinds of investments to help drive better profits for the business so that it can better fund the expanding family as each generation moves forward.[6]

Their investment choices are often being guided by younger family members. Business diversification, including by geography, often starts because members of the next generation may not be wedded to the core business. In some industries, this is especially true in view of today's more socially and environmentally conscious next generation. Some younger members are pressuring their families to move away from old economy industries, such as fossil fuels, and put capital to better use by reinvesting in sustainable projects, such as renewable energy.

"

Today, the next generation is putting a lot of pressure on their families to exit old economy industries that can be challenged to align with an ESG-led future and that can deliver diminishing returns. As the world transitions to clean energy, family businesses are being compelled to move quickly. But moving too fast can create succession and other planning issues. Where and how to invest in this fast-moving environment needs consideration. Business families should plan carefully how they navigate their move from the old economy to the new one, with input from all generations involved."

Mike Linter
Global Head of KPMG Private Enterprise Tax, Tax and Legal,
KPMG International, and
Partner, KPMG in the UK

This shift could see a wave of consolidation in some less environmentally friendly industries as some business families sell off assets as part of an aggressive transition to more sustainable businesses. While this has significant implications for business ownership and succession, families may also have a window to benefit from the tax reliefs on offer in their countries to promote greener economies.

While many business families are seeking to diversify their holdings geographically so they can seize new opportunities, others are doing so to help safeguard their assets.

Russia's invasion of Ukraine, for example, has caused many families in **Germany** and other European countries to create fallback scenarios to safeguard a portion of their wealth in a country outside of the eurozone.

"

Over the last year, a lot of business family clients are asking questions about threats arising from Russia's invasion of Ukraine, especially in countries like Germany and Poland that are physically closer to the conflict. Some of these families are looking to move assets to more neutral locations, such as Switzerland, Southern Europe or North America."

Michael Christeleit
Senior Manager, Corporate Tax
Private Client & Family Offices
KPMG Private Enterprise,
KPMG in Germany

In **China**, ongoing global geopolitical tensions and strict pandemic measures implemented from 2020 through January 2023 have caused some business families to find ways to globally diversify their assets, even though the country's tight foreign exchange controls mean they need to take a step-by-step approach towards diversification.

And as we explore in more detail later in this section, **Colombia**, following the enactment of the tax reform aimed at personal wealth in Colombia, has seen some local business families considering migrating their families and assets elsewhere.

In **South Africa**, many long-established business families are seeking to diversify the location of their wealth in response to the government's recent focus on wealthy taxpayers. The country's tax authority has set up a dedicated High Net Worth Wealth unit to ramp up collections and compliance, and its government has been assessing the feasibility of introducing a wealth tax.

With people and interests in multiple countries, territories and jurisdictions, globalizing business families face new tax uncertainties in the current economic environment. For many governments, COVID-19 emergency support measures have severely dented their finances, and some governments may be eyeing new taxes on wealth or capital to help recoup revenues. Most governments face a difficult decision in this regard because imposing any such tax could actually impede

[6] Our article, "Redefining wealth in business families", explores in more detail how many business families are facing a new reality in terms of how they create wealth and allocate their capital in today's more volatile and unpredictable environment.

economic recovery and growth. Nevertheless, there are fears that successful business families may be confronted with higher taxes at both the corporate and personal levels in multiple countries, territories and jurisdictions.

Typically, wealth taxes are a politically easy concept to put forward but can be difficult to implement in practice. In the **UK**, for example, there is a sentiment that those with the biggest shoulders should bear the biggest burden.

After a closer look, however, the UK's Wealth Tax Commission concluded in 2020 that an annual wealth tax was "a non-starter." The commission found that a one-off wealth tax could raise significant revenues over 5 years. The commission's final report says, "In the aftermath of a crisis, difficult choices need to be made and there is probably more public acceptance of the need for change than in normal times.[7]" It remains to be seen as to how the UK, like many other countries, reacts to the need for change and take what would be seen as a brave and bold choice to introduce a wealth tax.

The government of **Kenya** appears to believe corporations already pay enough tax and has also considered imposing a wealth tax on individuals as another source of revenue. Unlike in France, for example, there is currently no clear system for measuring net wealth in the East African context in order to tax it.

"

The government of Kenya is taking steps toward defining net wealth for tax purposes, for example, by integrating data from the land registry, tax filings and stock market transactions. Whether these activities ultimately enable the government to impose, assess and enforce a wealth tax remains to be seen."

Sandeep Main
Director
KPMG in East Africa

Spain is one of the few jurisdictions to impose a form of wealth tax. As a temporary measure, Spain's central government is supplementing its wealth tax with an annual solidarity tax at graduated rates ranging from 1.7 percent to 3.5 percent on individuals with worldwide assets over EUR3 million. The tax also applies to non-resident individuals on their assets in the country.

"

In a way, Spain's national government is aiming for harmony for those taxpayers who are subject to the various wealth taxes imposed by 15 of Spain's 17 regions. The solidarity tax is deductible from regional wealth taxes so that high-net-worth Spanish individuals pay a similar amount."

Xavier Aixela
Director of Family Office & Private Client
KPMG Private Enterprise, KPMG in Spain

Colombia's new government is introducing substantial tax reforms to raise money to fund anti-poverty efforts, free public universities and other social welfare programs. These include making the existing temporary tax on individual wealth permanent. As enacted, the tax will apply annually at progressive rates to the aggregate value of Colombian resident's worldwide assets over COP3000 million (about US$624,000).

"

Colombia's tax reform is focused on collecting more taxes not only with the wealth tax, but also by increasing tax rates, especially on capital gains, and by removing tax benefits for capital gains and income. Where the wealth tax is concerned, the COP3000 million minimum threshold offers room for planning by distributing some wealth with other family members."

Carlos Neira
Director, Global Mobility Services and
Family Business Lead
KPMG Private Enterprise
KPMG in Colombia

The new wealth tax has a number of business families in the country reviewing their wealth and investment strategies to include more foreign investments. The new tax is also prompting some families to consider ways to transfer wealth, for example, by accelerating what were planned as inheritances through gifts to multiple younger family member to take advantage of personal exemptions and lower graduated rates. The government's approach, however, may ultimately diminish domestic investment and impede growth, especially as there is no exit tax if Colombian families decide to move their members and their assets somewhere else.

[7] *A wealth tax for the UK: The Wealth Tax Commission*, Arun Adani, Emma Chamberlain and Andy Summers, 9 December 2020.

Rather than taxing wealth directly, **France** is considering a unique approach to redistributing wealth by targeting the many companies, including family businesses, that made windfall profits during the pandemic. The scheme would involve paying employees a form of dividend (rather than a permanent salary increase) to ensure they share in the company's good fortune.

"

France's unique scheme would allow employees to participate in the temporary increase in their employer's profitability and turnover, on top of their usual profit sharing. This measure could prove to be quite valuable, especially with the persistent problems that family businesses have retaining top talent."

Vincent Berger
International Tax Partner
Co-head of Family Office & Private Client
KPMG Private Enterprise, KPMG in France

Other governments, such as **Canada's**, are counting on economic growth to generate enough tax revenue to get their finances on track. Rather than raising taxes, these governments are offering tax incentives and subsidies for innovation to stimulate investment and expand their economies.

Greece is also not considering taxing the wealthy, as the government has introduced frameworks to attract wealthy expatriates and others, for example, with incentives for taking up tax residency in the country. In addition to new immigrants, the incentives may appeal to wealthy individuals who may have left the country during previous periods of economic uncertainty.

"

For example, a Greek family member who has been a non-resident for a number of years might use the incentive to return home to Greece and enjoy a stable amount of taxation within the Greek territory on any foreign source income, regardless of their level of such foreign source income worldwide.

Greece also offers two more preferential special tax regimes where, subject to conditions, a foreign pensioner can enjoy a 7 percent flat tax rate on any foreign source income, and an individual coming to work in Greece may benefit from 50 percent off their taxable base."

Christos Krestas
Direct & Indirect Taxes, Mergers & Acquisitions and International Taxation Advisory Services, Partner
KPMG Private Enterprise
KPMG in Greece

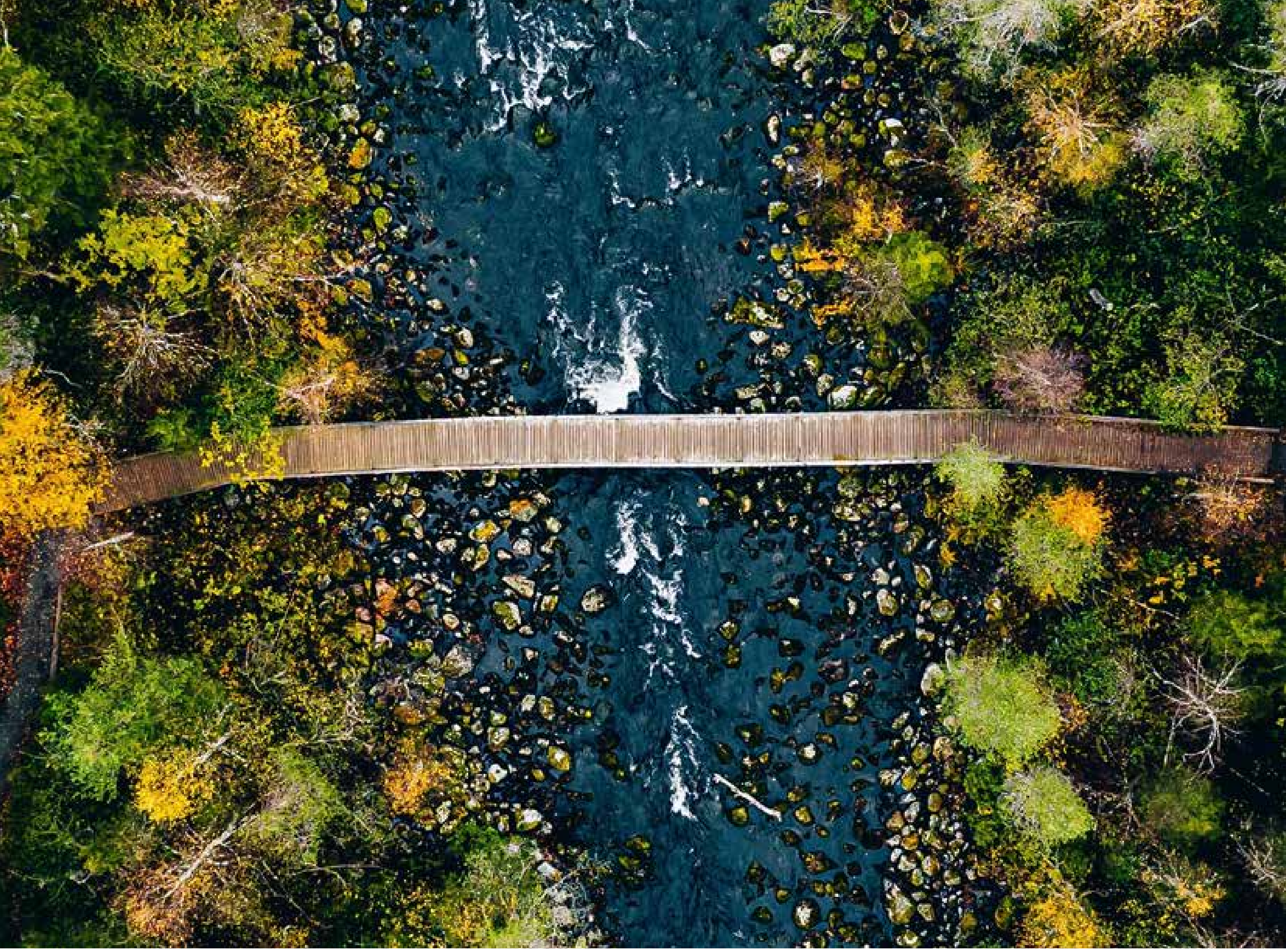
There are also signs that governments are attempting to wring more revenue from their existing tax bases by doubling down on collections and enforcement. The **Australian Tax Office (ATO)**, for example, has rolled out aggressive programs targeting the country's top 5,000 wealthiest private corporate groups (i.e. those with net wealth over AUD$50 million). Rather than conducting audits, however, the ATO is taking a "compliance and review" approach, looking at the complex activities of those wealthy families and informing taxpayers of where they may have been non-compliant or a potential tax liability they will need to report.

"

The ATO is scrutinizing the wealthiest business families because their numbers are bigger, their structures are more complex and their activities are more international — allowing the ATO to generate much higher collections for the same effort than they would by targeting other taxpayer groups."

Clive Bird
Partner, National Tax Leader
KPMG Enterprise Business & Tax Advisory
KPMG Private Enterprise
KPMG Australia

Other countries may be preparing for similar campaigns in the future. For example, **China** is introducing a new tax system focused on data and analytics, bringing together tax and non-tax information to identify non-compliance risk, especially for high-net-worth individuals with substantial capital gains and/or investment income. **New Zealand Inland Revenue** has sent questionnaires to the country's wealthiest families requesting extensive information about their assets.



“

New Zealand’s tax authority is undertaking a statistical research project that seeks to calculate an effective tax rate on economic wealth for high-wealth New Zealanders and their families encompassing not only income, but also realized and unrealized capital gains. This project involves selected individuals providing extensive information to Inland Revenue at their own cost. While Inland Revenue has assured participants that no enforcement action would be taken directly as a result of information gathered from this exercise, it will give the government extensive data to understand the overall taxes being paid by these families and inform future tax policy.”

Natalie Berkett
Director
KPMG Private Enterprise,
KPMG in New Zealand

The **European Union (EU)** countries and **Australia** have introduced mandatory disclosure rules for trusts, and new rules take effect in **Canada** for trusts for tax years ending after 30 December 2023. Their tax authorities will gain access to a significant amount of data through these reports, including what may be closely kept and sensitive family information regarding ownership and beneficiaries. This will add to the already considerable data available to them through the automatic exchange of tax information and other transparency measures. All of these tax authorities are investing heavily in digitalization and analytic skills so they can maximize their ability to interrogate these huge reams of data and zero in on tax risk.

It appears that tax complexity and uncertainty will face business families located in even one of these countries for years to come, and these risks will spiral for families with footprints in multiple jurisdictions. The tax landscape is constantly changing — creating both opportunity and risk — so it’s always wise to monitor potential new or increased taxes and consider taking action in advance.

Building up — Putting focus on governance and managing family wealth

As business families move from one generation to the next and expand into new locations, their need to control risk expands with it. Once you have one offshore family member, like a child studying in the US, or asset, like a house in Portugal, international coordination is required to monitor and manage a vast range of issues, including tax, immigration, wills and estate planning, to name a few.

Among the most important issues is controlling which jurisdiction's family and inheritance/succession laws might apply due to a birth, marital breakdown or other event.

Consider the case of an international couple who married in the **Netherlands** but directly after lived in **Ireland** for many years. While the couple might understandably assume they were married under **Netherlands** law, international rules determined that Ireland's quite different rules applied due to their residency there. This could significantly upset plans and legal arrangements on marital breakdown, on death or in the case of another event.

Because of risks like these, it's important to avoid having international law apply unexpectedly and disrupt succession and estate plans. As time goes on and far-flung family members marry, have children, divorce, retire and pass away, global visibility and management becomes ever more essential.

> If your will doesn't make it clear which country, territory or jurisdiction's law you want to govern the division of your estate to your children, then international rules might kick in — with potentially surprising results in terms of who inherits what."

Olaf Leurs
Tax Partner
KPMG Private Enterprise
KPMG in the Netherlands

From a tax standpoint, business succession can get especially complicated if control and decision-making power passes to family members who live in a different jurisdiction than the founder on death. Central management and control rules imposed by many countries could apply to redetermine corporate residence for tax purposes, which can create significant tax costs.

In some regions, KPMG Private Enterprise advisers are seeing more reliance on family offices to manage the complexity of the family's wealth. This can be especially valuable for globalizing families as their members and assets spread across multiple countries, territories and jurisdictions, which can create ever more cross-border risks with tax, legal and asset protection being the forefront risks. Family offices can help ensure these multijurisdictional matters get appropriate attention.

In its most mature form, a family office comprises the infrastructure and people devoted to managing all aspects of the family's wealth — from regulatory compliance through to tax planning and legal matters, including estate and trusts, to routine accounting, administration and concierge services.

> Whether it's a family office, family governance council, family board or other structure, of primary importance is that the family as a whole is setting the direction for its investments and operating companies in line with their values and preparing the next generation to take responsibility."

Brad Sprong
Partner & Tax Industry Leader,
KPMG Private Enterprise Tax,
KPMG in the US

Many family offices start out with a smaller scope, often as investment managers in charge of the family's wealth who then recognize the family's need for a broader suite of professional services. These investment management teams can evolve into trusted advisers to meet these needs, coordinating the family's access to tax, legal, information technology and all other specialized support, both within and outside the family office team. Over time, they can take on additional administrative tasks for the family, like bookkeeping, paying bills and taxes, and maintaining properties, aircraft and other vessels.

Based on experience in countries like **Australia** and **Canada,** family offices tend to arise from a significant exit event. The sale of a business to a third party, for example, can unlock the significant amount of wealth embodied in the business, which generally results in the family needing to find new opportunities in which to invest it. Such events may also cause family members to give more thought to protecting their assets and planning their estates. Good governance structures, advance planning and communication can help preserve harmony in the family as the transition unfolds.

Further, now that the balance sheet has transitioned from an operating business to a cash box ready for investing, the business owners may not be able to rely on the same team and infrastructure they did before as the business itself has changed hands. The family may need a new team with different specialties to focus on managing, deploying and building capital.

Once the family office structure is in place, business families can gain much-needed support in achieving their objectives, especially in the international context. In **China,** for example, restrictions on capital flows means many families need to develop two succession plans: one for their assets still located in China and a second for their investments offshore. Family offices can help manage the complexity of these parallel succession plans, as well as the cash flows between those structures.

Singapore has been the traditional hub for Chinese business family offices, with a skilled pool of professionals helping these families invest and set up business outside of China at the same time as they map the family's future. More recently, Chinese families are setting up offices in other countries, territories and jurisdictions, including the **US** and **Canada.**

The US and Southeast Asia have become important destinations for business expansion and operations for Chinese private enterprises, in part because of industry-specific incentive programs designed to attract businesses to locate or relocate there.

Meanwhile, Singapore and Hong Kong (SAR) have become attractive destinations for Chinese high-net-worth families to set up family offices because of the relevant family office tax exemption regimes. In addition, Canada and Australia are also increasingly popular, given the relatively high number of wealthy Chinese business family members educating the next generation, and ultimately emigrating, there."

Koko Tang
Tax Partner
KPMG Private Enterprise
KPMG China

For business families that have not yet achieved the size and holdings to warrant a full-blown family office, multi-family offices can provide the level of services they need at an affordable cost.

For business families, specialized advice is crucial to help support objectives, keep family members up to speed, and view their wealth management holistically to avoid blind spots in identifying opportunity and risk. This tends to get even more important from one generation to the next as the family's holdings get larger and more diverse, and the base of family shareholders multiplies.

The family office structure can also serve as a robust governance framework to help mitigate risks that business families commonly face — from the potential dilution of wealth to the lack of transparency to family conflict. These risks can be better managed or avoided entirely with clearly communicated and well understood governance structures in place.

Further, if the next generation is not interested in running the family business and more interested in managing the family wealth or starting their own business, a family office can provide an excellent opportunity to engage them in the family's business affairs, for example, by appointing them to serve on a junior board. This can help them better understand the nature of the business, how it aligns with the family's values and what they can do to sustain and grow the family's wealth.

A family office can also help ease some of the more emotional aspects of succession planning by creating open communication channels across the generations. This may help the older generations define and communicate their goals. It may also help the younger generations understand these plans and make their own goals and priorities known. Since members of the next generation often have their own trusted advisers and may not have built up trust with those of the current generation, a family office can help the two groups achieve balance.

By centralizing and formalizing their professional support systems within a family office, business families should be better placed to manage the workings of a family business with the family's wider interests and assets, along with the needs and desires of individual family members.

Giving back — Philanthropic activities are drawing more attention

Most KPMG Private Enterprise advisers interviewed for this report agree that business families have increased their focus on philanthropic issues over the last 10 years, using their wealth to give back to their communities and more actively publicizing their contributions.

As a general trend, business families tend to get more philanthropic as the controlling founders get older. In some cases, as the founders approach retirement from the operating business, they tend to start thinking about the business more broadly and what legacy they want to leave for their descendants to build on. Once they create the philanthropic structure to support these goals, such as a family foundation, they can then connect the next generation and gain their participation on decisions on what good works the family should support or invest money in.

Part of this evolution involves thinking about how wealth is defined and aligning this definition with the values of the family and its business. The family name and business are often linked in the public's mind, so the family's approach to philanthropy is important in shaping their reputation and legacy. As such, the family's philanthropy can be critical to a successful transition to the next generation.

Just as attitudes in the corporate world have come to accept a company's broader social obligations beyond its shareholders, definitions of family wealth are evolving beyond purely financial wealth to encompass other contributions that can benefit the community.

The recent focus on ESG issues for multinational corporations is not necessarily new for family businesses. Most have had their sights set on the long term, together with a high awareness of the social impacts of their business activities and the importance of strong governance structures. However, the imposition of new corporate social responsibility and ESG disclosure requirements in many jurisdictions is causing many business families to be more vocal about what they do.

This can be especially true in transitioning industries. For example, a family business in the plastics or pulp and paper industry might highlight their investments in innovation to help reduce environmental harm or improve the recyclability of their products.

By communicating their philanthropic activities, business families can not only build their legacy, but also build their current brand to attract talent in tight job markets. For the most part, today's younger employees want to work for a business with a strong sense of purpose. By publicizing their ESG credentials, family businesses can create a competitive advantage.

"

Many family business owners are realizing they have a strong case for differentiating themselves in the job market by talking about the causes they support and how they give back. As a result, the family's philanthropy can help significantly boost their prospects of winning the global war for talent."

Tom McGinness
Global Leader, Family Business
KPMG Private Enterprise
KPMG International and
Partner, KPMG in the UK

With ESG thinking, philanthropy is no longer seen in terms of a strictly non-profit pursuits. As we explore in more detail in the report Disruptive Philanthropists,[8] business families are recognizing that activities can generate profits sustainably while producing social good. So in addition to traditional benevolent activities, many business families are seeking business models that earn financial profits while helping their communities prosper more broadly.

Many jurisdictions have tax incentives to encourage philanthropic activities. These incentives can create significant opportunities for tax-efficient giving, but qualifying for them can be a burden. For example, **Kenya** offers a tax exemption for donations to registered tax-exempt charities. However, the amount of time it takes to apply for and receive the exemption is time consuming — as long as 5 years in one recent client situation — which can discourage people from taking advantage of the incentive. Similarly, **Japan** allows an exemption for donations to public associations (koueki-houjin tou), but again, the exemption is quite difficult to secure.

"

In Japan, the majority of business families have always been focused on philanthropic activities. It's not new — it's something they've just always done because it's part of their value system. Tools like public associations (koueki-houjin tou) can help families donate wealth tax-effectively, but proper planning is needed to clear all the hurdles and achieve the exemption."

Masayuki Sawada
Partner
KPMG Private Enterprise
KPMG in Japan

Business families often coordinate their philanthropic work through a form of family foundation. These entities can be set up like any other family business, including the use of a family office, but with operations dedicated to evaluating investment opportunities and determining how to deploy capital for various philanthropic endeavors.

Depending on the jurisdiction, however, a private family foundation may not be the most cost-effective structure to achieve the family's objective. It may make more sense to make the contribution through other institutions, like donor-advised funds, that have infrastructure already in place.

In summary, business families have consistently put focus on philanthropy in step with their long-term values, and sustainability is in their DNA. Whatever causes they support and whatever structures are used to support them, a business family's engagement in philanthropic activities can provide an important avenue for helping to ensure the family's values and ideals endure from one generation to the next.

[8] Disruptive Philanthropists: How a new wave of modern philanthropists are shaping tomorrow, KPMG International, 2021.

“

For some business families, the costs and administrative aspects associated with a family private foundation may not be justified. Where the family intends on donating private company shares, there are some donor-advised funds that accept such donations. They also appreciate what it means to own private company shares and the needs of the underlying business. Business families using this route should engage with the fund early to help ensure the donor, the private company's business and the donation's implications are understood.“

Dino Infanti
National Tax Leader
KPMG Private Enterprise
KPMG in Canada

Thinking ahead: Planning and communicating are critical

“Measure twice, cut once.”

The traditional advice followed by carpenters can apply equally well where succession planning is concerned. This means considering all the potential risks and angles before the plan is executed to avoid potential missteps, pitfalls or regrets. If an unexpected event (e.g. death) or tax change occurs, early planning helps avoid making inadequately informed decisions in haste.

In other words, no matter where in the world your family and assets are located, early, ongoing and thorough planning and preparation are critical factors than can contribute to the continued success of a family business. In woodworking and succession planning alike, it is important to properly measure and plan before making the cut.

There are indications that many business families are doing just that. For many years, ageing demographics in developed countries led us to expect a massive spike of intergenerational business transfers from Baby Boomers to their descendants. Our KPMG Private Enterprise advisers’ experience to date suggests that the anticipated spike has not yet occurred. The shift is gradually starting to happen, but at a more measured pace than expected.

Not every family has the same timeline and objectives. So rather than a looming surge, it now seems these transfers will occur more gradually over the next 20 or so years. In the meantime, considerable planning is being done in the background to help ensure the success of these transfers for all family members concerned.

> I'm the son of a carpenter, who always taught me to measure twice but cut once. I believe this strategy runs true in estate planning. You should make sure that everything is right when you decide to make that cut. The tradecraft of making sure everything is right and correct is one of the main reasons why I believe that a lot of the much-heralded wealth transfer hasn't yet happened. People are taking their time to measure and prepare so when the time comes, the plan can produce the right outcomes and no regrets."

Greg Limb
Global Head of Family Office and Private Client
KPMG International and
Partner, KPMG in the UK

Some common planning points that all business families should consider are as follows:

Start early.

Whether it makes sense to transfer the business during lifetime or on death, the earlier the planning starts, the smoother the transition will ultimately be. This includes involving the next generation early as well as ensuring that the succession goals of everyone involved are understood and agreed.

Seek professional advice.

Family business succession is highly complex, and missteps can be costly. A professional adviser can help you understand the exemptions and other tax reliefs that will be available on the transfer. Many of these benefits are not automatic, and a professional adviser can help you make the arrangements needed to meet complex conditions and comply with the rules — to ensure tax benefits on the transfer are optimized.

Communication.

When planning for the transfer of a family business, regular, open communication between the generations involved helps ensure that the visions and expectations of each family member are aligned.

Develop a governance structure.

Clarify and confirm your family's objectives from a legal viewpoint and establish succession plans and ownership structures that facilitate meeting those goals. Establish a structure for governance that will guide and safeguard the family business's operations during and after the transfer.

Conduct regular health checks.

Review business arrangements and holdings to ensure all conditions receiving concessions will be met. As conditions often change — in family relationships, business environments and tax legislation — review your succession plan regularly and update it accordingly.

Summary notes by country, territory and jurisdiction

Argentina

No inheritance or gift tax applicable in most provinces

- Inheritance and gift tax rates vary by province and exemption thresholds apply.
- There is no inheritance or gift tax in Argentina, except in Buenos Aires Province (which does not include the city of Buenos Aires).

Australia (Melbourne)

Personal income tax due

- Australia has no inheritance, gift or estate taxes.
- The transfer of an asset by inheritance on death may result in income tax on a capital gain arising where the asset passes on death to a tax-exempt entity or person/entity that is not a resident of Australia for income tax purposes.
- Any capital gain on lifetime gifts is subject to income tax at marginal rates (up to 47 percent). A 50 percent discount is generally available for non-depreciating capital assets as long as the donor held the asset for at least 12 months before the gift.
- State-based stamp duties or transfer duties generally do not apply to asset transfers through inheritance. Lifetime transfers of some asset classes are subject to a state-based stamp or transfer duty. The case study analysis in this report was prepared with reference to stamp duty imposed in the state of Victoria.

Austria

Minimal tax due

- Austria has no inheritance or gift taxes.
- A real estate transfer tax applies to lifetime gifts and transfers on death of directly held land and, in certain cases, shares in a company holding land (real estate).

Bahamas

Minimal tax due

- Bahamas has no inheritance or gift taxes.
- Stamp duty may apply on the transfer of Bahamian situs assets.

Barbados

Minimal tax due

- Barbados has no inheritance or gift taxes.
- Stamp duty may apply on the transfer of assets situated in Barbados.
- Stamp duty is payable on the value of property transferred through lifetime gifts and on death.
- Property transfer tax is payable on lifetime transfers except transfers via testamentary disposition, which are exempt.

Belgium

Reduced tax rates and partial exemptions are available on inheritance, with full exemption available on lifetime transfers

- Inheritance and gift taxes (and exemptions) vary between Belgium's Flemish, Walloon or Brussels Regions. In principle, the deceased's last tax residence determines which region's rules apply.
- Each region has its own favorable tax regime for the transfer of family businesses. There are minor differences between the regime in the Flemish and Brussels regions. Currently, the differences with the tax regime in the Walloon Region are more substantial.
- The general principles are as follows:
  - Company shares are always considered as movable assets, even when the underlying assets are (mainly) real estate.

- To benefit from the favorable inheritance and gift tax regime for the transfer of family businesses, the key consideration is whether the business has a qualifying economic activity.
- To benefit from the favorable inheritance and gift tax regime for the transfer of family businesses, there are requirements on the day of death or the date of the gift and for 3 years from that date.

- The analysis presented covers the Flemish Region only.

Bermuda

Minimal tax due

- Bermuda has no inheritance or gift taxes.
- Stamp duty may apply on the transfer of assets situated in Bermuda.

Bolivia

Minimal exemptions available

- Bolivia imposes an inheritance tax. Although there is no gift tax, there is a concept of an anticipated inheritance, which gives rise to an inheritance tax liability.
- An annual wealth tax is due on 31 December of each year. The tax applies at marginal rates based on the value of the individual's assets, with an associated abatement.

São Paulo and Rio de Janeiro, Brazil

No exemptions available

- Lifetime transfers and transfers on death are taxed under state law, rather than federal law.
- The applicable tax rate and calculation basis varies depends on the company's location.
- If the asset has increased in value since the date of gift/transfer on death, capital gains tax may be imposed on the asset's disposal.
- In cases involving family companies, tax authorities and taxpayers are having discussions about which value should be considered for tax basis purposes: the company's net equity or market value. The State Courts of Appeal have set a precedent that the tax basis should correspond to net equity.

Canada

Partial exemptions available

- Canada does not impose inheritance tax or gift taxes.
- Canada taxes the 'deemed gain' that accrues from the time of acquisition until the property is gifted or transferred on death.
- A lifetime enhanced capital gains exemption of up to CAD971,190 (for 2023 — indexed each year for inflation) is available for dispositions and deemed dispositions of qualified small business corporation shares by an individual. To qualify, generally two tests must be met by the target corporation:
  - At the date of the transaction, more than 90 percent of the fair market value of the company's assets must be used principally in an active business carried on primarily in Canada.
  - For the 24 months before the transaction, more than 50 percent of the fair market value of the company's assets must have been used principally in an active business carried on primarily in Canada.
- In addition, the individual selling the target corporation shares must meet a holding period test for the 24 months preceding the transaction date.

China

No tax applicable

- China has no inheritance or gift taxes.
- The transfer of shares between close family relatives should also not be liable for income tax ("preferential treatment").
- When the shares in the family business are subsequently transferred to a non-family investor, the gain is subject to 20 percent individual income tax, and the deductible cost should be the original paid-in capital if the above preferential treatment was adopted.

Colombia

Partial exemptions available

- Income tax applies on transfers on death at the rate of 15 percent of the base cost of the share capital, with adjustments to the shares' acquisition value as allowed by statute (e.g. accounting for inflation adjustment).
- Income tax applies on gifts at the rate of 15 percent of the base cost of the share capital, also with any allowable adjustments.
- As the case study in this report refers to gifting or death at 1 January 2023, Colombia's latest tax reform has been factored into the analysis.

Croatia

Full exemptions available

- Croatia imposes inheritance and gift tax on transfers by individuals or legal entities of cash or shares in a joint stock company or movables where that property is inherited, received as a gift, or otherwise received or transferred without consideration.
- A full exemption is available for transfers to immediate relatives in the vertical line (e.g. spouses and children).
- Croatia does not impose inheritance or gift tax on shares in a limited company.

Cyprus

Full exemptions available

- Cyprus has no inheritance or gift tax.
- Capital gains tax is only imposed, at the rate of 20 percent, on any gains, after adjusting for inflation arising from:
  - The sale of immovable property situated in Cyprus;
  - The disposal of shares of companies, not listed on a recognized stock exchange, which own immovable property in Cyprus; and
  - The disposal of shares of companies which indirectly own immovable property in Cyprus and derive at least 50 percent of their market value from such immovable property.

Finland

Partial exemptions available

- Inheritance and gift taxes apply, with exemptions.
- The inheritance or gift tax rates are progressive and depend on the value of the estate/gift and the closeness of the relationship between the deceased/donor and the beneficiary/donee.
- The exemptions are only available where the company's profits are taxed in Finland as business income and the recipient is a director of the business.
- Where the exemptions do not apply, the transfer is subject to gift or inheritance tax on its full market value (calculated via methods of the Finnish tax authorities).

France

Partial exemptions available

- France imposes inheritance and gift taxes.
- A 75 percent exemption is allowed for transfers on death and lifetime transfers of business shares and business assets regardless of the donor and recipient (subject to requirements) where there is a commitment to keep the shares for a 6-year period (Pacte Dutreil rules).
- Lifetime transfers made by donors under age 70 may benefit from an additional 50 percent exemption.

Germany

Full to partial exemptions available

- Germany imposes inheritance and gift taxes.
- Transfers of small to medium-sized family businesses:
  - Exemptions of up to 100 percent are available for 'favorable business assets,' with several exceptions.
  - A 100 percent/85 percent exemption is allowed for transfers on death and lifetime transfers of business shares (regardless of the donor and recipient), subject to conditions.
  - Small businesses can apply simplified exemption rules.
- Transfers of large family businesses:
  - The above exemption is reduced on a straight-line basis for transfer values between EUR26 million and EUR90 million and eliminated for transfers valued over EUR90 million.
  - As an alternative, the tax due may be reduced to 50 percent of the 'available wealth' of the successor/donee, defined as all wealth except for 'exempted business assets.' This is the only exemption for the transfer of assets worth above EUR90 million.
- If no exemption applies, transfers on death and lifetime transfers between parents and children may be subject to gift tax and inheritance tax at graduated rates of up to 30 percent (compared to 50 percent where the transfer is not to a family member), depending on the value transferred.

Gibraltar

Minimal tax due

- Gibraltar has no inheritance or gift taxes.
- Lifetime gifts of real estate are subject to stamp duty, which includes shares where the real estate held within the company is located in Gibraltar.

Greece

Reduced tax rates and tax-free bracket available

- Greece imposes inheritance and gift taxes.
- The tax rates are progressive (except for cash donations, where a fixed donation tax rate applies), depending on the proximity of the relationship between the deceased/donor and the beneficiary/ donee and the value of the estate/gift.
- Specific rules govern the calculation of business values for transfers on death or lifetime gifts.
- The donations/inheritance tax relief is only available for donations of assets (other than cash) to persons with first-degree kinship, and it is a one-off lifetime relief.

Guernsey

Minimal tax due

- Guernsey has no inheritance and gift taxes.
- Guernsey probate charges are applicable to inheritance, calculated on a sliding scale up to a maximum of GBP100,000 for estates with a value greater than GBP28,000,000.

Hong Kong (SAR)

Minimal tax due

- Hong Kong has no inheritance or gift tax.
- For the case study analysis in this report, there is also unlikely to be a personal income tax liability in Hong Kong (SAR) as a result of the transfer of the family business shares, nor any stamp duty where the shares are transferred by a parent to their child through their will.
- There is no exemption from the stamp duty, which is levied on the market values of the shares, where the shares in the family business are transferred by way of gift (i.e. a voluntary disposition made in the donor's lifetime).

India

Partial exemption on lifetime transfers

- India has no inheritance tax.
- Transfer by donors by way of gift or will is exempt from capital gains tax. For the recipient, there is no tax where the gift is received from relatives or through a will or inheritance.
- Stamp duty applies to any instruments of transfer (e.g. on immovable property, securities, etc.).
    - Generally, there is no stamp duty on property transferred by will.
    - There is no stamp duty exemption on transfers/ gift of property among relatives unless specifically exempted by a particular state.
- India's wealth tax has been abolished since 2016.

Ireland

Partial exemptions available

- Ireland imposes inheritance and gift taxes, which are payable by the beneficiary.
- The first EUR335,000 (during lifetime or on death) from a child's parents is free of gift and inheritance tax.
- Business relief may reduce the rate of inheritance/ gift tax on qualifying businesses/companies from 33 percent to 3.3 percent, subject to conditions.
- Lifetime transfers are also subject to stamp duty (transfer tax) and capital gains tax.
- The transferor may be exempt from capital gains tax if the transfer meets the conditions for retirement relief. Among other conditions, the transferor must be aged 55 to 66. If the parent is older than 66, the cumulative exempt amount is restricted to EUR 3million.
    - Where retirement relief does not apply, revised entrepreneur relief may allow a reduced capital gains tax rate of 10 percent on disposals of qualifying assets. The lower 10 percent rate of capital gains tax only applies to cumulative chargeable gains of up to EUR1 million.
- Where gift tax and capital gains tax apply to the same transaction, the gift tax generally may be reduced by the capital gains tax paid where the assets are retained for 2 years.
- Stamp duty of 1 percent (of the market value) applies to the gifting of shares and the rate of stamp duty on other business assets varies from 2 percent to 7.5 percent.

Isle of Man

No tax applicable

- The Isle of Man has no inheritance or gift taxes.

Italy

Minimal tax due

- Subject to conditions, transfers of family business shares on death and lifetime gifts to a spouse or direct descendant are exempt from inheritance, gift and real estate transfer taxes.
- There are several small taxes (stamp duties) where the tax liability is not material.

Jamaica

Partial estate duty exemption

- Jamaica has an estate duty, with an abatement for the first JMD10 million. Where the estate's market value exceeds the abatement, a 1.5 percent estate duty applies together with a transfer tax on 2 percent of the market value of the shares.
- The market value of the shares in a private company is determined based on the net asset value of the company.
- There is also stamp duty at the maximum rate of JAD5,000 payable for each instrument of transfer.

Japan

Personal income tax exemption available

- Japan imposes inheritance and gift taxes.
- In the case of an inheritance or gift, neither of the transferor nor the transferee should be subject to personal income tax.

Jersey

Minimal tax due

- Jersey has no inheritance or gift taxes.
- Guernsey asset stamp duty charges are applicable on an inheritance, calculated on a sliding scale up to a maximum of GBP100,000 for estates with a value greater than GBP13,360,000.

Kenya

No tax applicable

- Kenya has no inheritance or gift taxes.
- The only tax on gifts applies where a parent transfers shares to a child during the parent's lifetime. However, as they are related, they may apply for exemptions from capital gains tax and stamp duty.

Malta

Partial exemptions available

- Malta has no inheritance or gift taxes.
- Malta imposes income tax on the donor on a 'deemed capital gain' on a lifetime gift. Gifts are exempt when made to the spouse, a direct descendant or ascendant, or their spouse. Where the donor has no descendants, lifetime gifts to siblings and their descendants qualify for exemption.
- Duty on documents and transfers (for transfers made during lifetime and on death) is payable by the recipient at 2 percent or 5 percent.
    - The 5 percent rate applies if immoveable property is being transferred (or if the shares being transferred are in a company in which 75 percent or more of the assets excluding all current assets other than immovable property are either immovable property or rights over immovable property).
- For purposes of the duty on documents and transfers, when an individual transfers shares (in a family business which carries on a business) to qualifying family members in terms of the Family Business Act, the first EUR150,000 of the shares' value is exempt. There are also other time-limited tax incentives available in respect of inter-vivos donations of shares.

Mexico

Full and partial exemptions

- While inheritance tax and gift tax are due for transfers on death and lifetime transfers, respectively, the transfer is fully exempt where the transfer is declared to the tax authorities and the recipient fully complies in declaring their other income.
- Certain states impose an additional capital transfer tax on share transfers or a real estate acquisition tax when real estate is acquired on lifetime transfers and death. The figures shown in this analysis assume residence in a state where this tax does not apply.
- Capital gains tax is imposed where the recipient of a transfer on death later sells the shares, with the gain calculated based on the deceased´s original acquisition value and date.

Malaysia

Exemptions/reduced rates available on certain scenario

- Generally, Malaysia has no inheritance tax. There is no capital gains tax in Malaysia apart from the real property gains tax (RPGT), which taxes gains derived from the disposal of real property or on the sale of shares in a real property company (RPC), known as the "RPGT chargeable asset".
- Considerations should be given to the RPGT and stamp duty implications on the transfer of assets between family members.
- RPGT: Generally, the gift of an RPGT chargeable asset is deemed to be disposal at the market value of the asset. However, where the donor and recipient are spouses, parent and child, or grandparent or grandchild, the transaction is deemed at a no-gain, no-loss basis on the condition that the donor is a Malaysian citizen. Devolution of the assets of a deceased person is subject to special rules.
- Stamp duty (applies to written documents): Any conveyance or transfer operating as a voluntary disposition inter-vivos (transfer during lifetime) is chargeable with stamp duty as if it were a conveyance or transfer on sale.
- There is a stamp duty exemption on the instrument of transfer of immovable property executed between spouses. Remission of 50 percent of stamp duty chargeable on any instrument of transfer of immovable property between parents and child on the condition the recipient is a Malaysian citizen.

Netherlands

Partial exemptions available

- Inheritance tax and tax exemptions apply to transfers of enterprises on death and lifetime transfers respectively. The exemptions only apply to the value of an active business.
- Qualifying business transfers are 100 percent exempt from inheritance tax or gift tax on values up to EUR1,205,871 and 83 percent exempt on any excess, subject to complex conditions. For example, together with the active business condition, the business must be continued for at least 5 years, when certain conditions are met.
- Personal income tax also applies on both lifetime gifts and transfers on death but is deferred to the next generation where the transfer qualifies for the business transfer exemption. Among other conditions, the beneficiary of a lifetime gift must have worked for the business for at least 3 years before the transfer.

New Zealand

No tax applicable

- New Zealand has no inheritance or gift taxes.
- New Zealand also does not impose capital gains tax, real estate transfer tax, stamp duty or wealth tax.

Nigeria

Capital gains tax exemption

- Nigeria has no inheritance or gift taxes.
- Any gains arising from the disposal of a chargeable asset by way of a gift or the deemed disposal of a deceased person's assets are not generally chargeable gains, so they are effectively exempt from capital gains tax.
- The child will need to apply for a probate/letter of administration for the estate. The Probate Registry in Nigeria has a practice of charging up to 10 percent estate duty on the deceased's aggregate property. In practice, the duty is not systematically administered. It may thus be subject to negotiation if there is an excessive valuation of the deceased person's estate.

Oman

No tax applicable

- Oman has no inheritance tax or gift taxes.

Pakistan

Minimal tax due

- Pakistan has no inheritance or gift taxes.
- Stamp duty (at 0.1 percent of the face value) applies on the issued value of the shares.

Philippines

Partial exemptions available

- Philippines imposes inheritance and gift taxes. Since 2018, the rate of both inheritance (estate) tax and donor's tax has been 6 percent.
- Documentary stamp tax also applies to the (inheritance and donative) transfers of real properties and shares of stock, unless specifically exempt from documentary stamp tax.

Poland

Full exemptions available

- Poland imposes inheritance and gift taxes.
- Transfers during lifetime and on death to spouses, descendants and ascendants are exempt from inheritance tax or gift tax if declared to the respective tax office within 6 months.
- If the recipient of a lifetime gift takes on the company's full debt (compared to the standard practice of the donor/ recipient sharing joint and several liability for the company's debts), a civil law transactions tax of 2 percent or 1 percent is generally due on the value of the debt.

Portugal

No inheritance or gift tax, stamp duty exemption

- A base stamp duty of 10 percent is charged on transfers on death and free-of-charge lifetime transfers. For onerous transfers or donations of immovable property (including such property held by a company), an additional stamp duty of 0.8 percent applies on the property's value. Provided the recipients are spouses, descendants and ascendants, transfers on death and free-of-charge lifetime transfers are exempt from the base stamp duty. Where the asset transferred is immovable property (including such property held by a company), the additional stamp duty is imposed on onerous transfers and donations.

Romania

No tax applicable

- The transfer of shares through inheritance or donation should not give rise to a taxable event, provided:
  - the succession is finalized within 2 years after the parent's death; and
  - the donation is finalized with a public notary.
- No other tax applies in this scenario, but notary fees will apply.

Rwanda

Capital gains tax applicable

- The only tax on gifts applies where a parent transfers shares to a child during the parent's lifetime. A 5 percent capital gains tax may apply on the difference between the current value at the time of the share transfer and the acquisition value.
- If the company and assets transfer as a result of the parent's death, this is considered to be a succession (not an asset transfer) under Rwanda's law on matrimonial regimes, donations and succession, and no tax liability will arise.

Singapore

Minimal tax due

- Singapore has no inheritance or gift tax.
- There should be no personal income tax implications for the child as the gain arising from the inheritance should arguably be treated as capital in nature and not taxable (as capital gains are not taxable in Singapore).
- Stamp duty may arise on the transfer of shares in a Singapore company by gift, based on 0.2 percent of the transfer consideration or value of the shares, whichever is higher. Where the company holds immovable property, that property's market value is used instead of book value when determining the value of the shares.

Slovakia

No tax applicable

- Slovakia has no inheritance or gift taxes.
- No other tax applies in this scenario.
- Where the gift or transfer is not a true gift and connected to an entrepreneurial or dependent activity of the individuals, the transfer may be reclassified as income and taxed accordingly.

South Africa

Partial exemptions available

- Transfers on death are subject to estate duty and personal income tax (automatic partial exemption applies).
- Lifetime transfers are subject to donation tax and personal income tax (automatic partial exemption applies).
- An additional 0.25 percent securities transfer tax is payable by the company on the transfer.
- For both inheritance tax and donations tax, exemptions may be available in specific circumstances, for example, for an inheritance to a spouse.

South Korea

Partial exemptions available for lifetime transfers and transfers on death

- South Korea imposes inheritance and gift taxes under federal law.
- Inheritance tax and gift tax rates are progressive, ranging from 10 percent and 50 percent. If the transfer value is over KRW3 billion, the 50 percent rate is applied.
- Inherited or gifted assets are taxed with reference to the full market value, which is calculated by South Korea's Inheritance and gift tax.
- The deduction limit for the inheritance of a family business depends on the period that the heir runs the family business (i.e. 10–19 years: KRW20 billion; 20–29 years: KRW30 billion; 30 or more years: KRW50 billion).
- To qualify for exemption, the family business inheritance must meet conditions based on, for example, annual sales, asset size or type of business.
- The heir can deduct up to KRW0.2 billion, plus a personal allowance and blanket deduction of KRW0.5 billion.
- No tax applies if the standard for assessment (tax base) is below KRW0.5 million.

Spain

Partial exemptions available

- For transfers on death, inheritance tax is due. An initial, general reduction is allowed for descendants and ascendants receiving the family business share or assets (subject to conditions).
- There is an additional reduction for transfers of family business assets on death, subject to a 5-year holding period for the recipient and a prohibition against acts during that period that could significantly diminish the shares' value.
- For lifetime transfers, gift tax (recipient's liability) and personal income tax (donor's liability) are due. Personal income tax does not apply if cash is gifted (rather than assets).
- A 95 percent reduction for gift tax and a complete exemption to personal income tax are available where the 'family business lifetime gift exemption' conditions are met.

Sweden

No tax applicable

- Sweden has no inheritance or gift taxes.

Switzerland

Full exemptions apply

- Inheritance tax and gift tax are governed by the cantons in Switzerland. The majority of the cantons fully exempt lifetime transfers and transfers on death between parents and children.
- The rules differ significantly between cantons. Our case study analysis in this report assumes the scenario occurred in Zurich.
- The Cantons of Appenzell Innerrhoden, Lucerne, Neuchâtel, Solothurn and Vaud levy inheritance tax on transfers to children. Specific advice should always be sought in the relevant canton.

Tanzania

Minimal tax due

- Tanzania has no inheritance or gift taxes.
- The only tax on gifts applies where a parent transfers shares to a child during the parent's lifetime. A 1 percent stamp duty applies in these cases.

Thailand

Partial exemptions available

- Thailand imposes inheritance and gift taxes.
- The inheritance tax is 5 percent for ascendants or descendants (and 10 percent for others) on assets valued above THB100 million.
- Inheritance income is taxed under the Inheritance Tax Act and exempt from personal income tax.
- Gift tax is part of personal income tax. The taxpayer should opt to pay at 5 percent as a final tax; otherwise, it would be taxed at the taxpayer's marginal tax rate (up to 35 percent).

Trinidad and Tobago

Minimal tax applicable

- Trinidad and Tobago has no inheritance or gift taxes.
- No personal income tax applies on inheritance received by an individual heir.
- Where the company is not registered on the stock exchange, stamp duty is charged at 0.5 percent of the greater of consideration given or the market value of the shares transferred. In practice, stamp duty is calculated using an independent valuation of the private company shares.

Uganda

Minimal tax due

- Uganda has no inheritance or gift taxes.
- The only tax on gifts applies where a parent transfers shares to a child during the parent's lifetime. A 1.5 percent stamp duty applies in these cases.

UK

Full exemption or partial exemption on death or lifetime transfers can be available and/or full deferral on lifetime transfers

- Inheritance tax applies to transfers on death at the rate of 40 percent and is payable by the deceased's estate. Certain exemptions and reliefs can be available for transfers on death). There is a nil-rate band, which is currently GBP325,000 per individual.
- The concept of domicile (which is distinct from residence) is important for inheritance tax purposes. An individual who is UK domiciled or UK deemed domiciled is generally liable to UK inheritance tax on their worldwide estate.
- Transfers of shares on death (and in life) qualifying for business property relief can benefit from relief from inheritance tax at either 100 percent or 50 percent. The level of cash in the company (potentially seen as impacting the trading status of the company) may restrict the exemption with other conditions also needing to be met.
- Inheritance tax can be payable on certain gifts made during an individual's lifetime, subject to certain exemptions and reliefs. For lifetime transfers to individuals, inheritance tax does not apply if the donor survives for 7 years following the transfer. However, the donor of the gift is deemed to make a disposal at market value and is subject to capital gains tax on that value (capital gains tax in the UK — aside from on residential property and carried interest — is 10 percent or 20 percent). Each individual is given a capital gains tax-free allowance of GBP12,300.
- Capital gains tax on certain lifetime transfers can either be fully deferred using holdover relief (with the recipient taking on the donor's base cost, subject to conditions) or reduced to 10 percent under business asset disposal relief (subject to maximum lifetime gains of GBP1 million).
- Special rules can apply where individuals receive shares or share options as a result of their employment. Gifts between family members due to family relationships (and not employment) should be excluded from these rules.
- Specific advice should be sought as these reliefs carry complex conditions.

US

Low-tax states — Partial exemptions available

- Thirty-three of the 50 US states do not have estate or inheritance taxes, and residents are generally subject to federal tax only. Some low-tax states also impose low levels of estate and/or inheritance tax.
- The case study analysis in this report assumes residence in a low-tax state that imposes both state and federal taxes.
- Each individual may be entitled to federal and state exemptions for transfers on death.
- Specific advice should be sought in respect of the relevant state.

Venezuela

No exemptions available

- Lifetime transfers and transfers on death are subject to donations and inheritance tax.
- Lifetime transfers and transfers on death of real estate are also subject to real estate transfer tax.
- Assets excluded from the amount of the tax base of the inheritance include the main dwelling that has served as a permanent seat in the deceased's home and is transmitted with these purposes to ancestors, descendants, spouses, and parents and children by adoption.

Vietnam

Personal income tax is due

- Vietnam has no separate taxes on inheritance or gift or transfer of shares/capital, but personal income tax on such income is imposed.
- There are some personal income tax exemptions for inheritance and gift (e.g. transfer of real estates among certain family members).
- Personal income tax is imposed on transfers made in lifetime and on death.
- There are no personal income tax exemptions for transfers of shares or capital.

Zimbabwe

No exemptions available

- Zimbabwe imposes:
  - estate duty on transfers on death; and
  - capital gains tax on lifetime transfers.
- Stamp duty is also levied on both the transfer on death and lifetime transfer.
- The taxes are calculated based on the fair value of the shares in the family business as specified in Zimbabwe's tax law.

KPMG Private Enterprise Editorial Board

KPMG Private Enterprise would like to thank all those who contributed their time and insights in the planning, analysis, writing and production of the report itself:

Jonathan Lavender
Global Head,
KPMG Private Enterprise,
KPMG International

Tom McGinness
Global Leader, Family Business,
KPMG Private Enterprise,
KPMG International, and
Partner, KPMG in the UK

Mike Linter
Global Head of KPMG Private Enterprise Tax,
Tax and Legal,
KPMG International, and
Partner, KPMG in the UK

Greg Limb
Global Head of Family Office and Private Client,
KPMG Private Enterprise,
KPMG International, and
Partner, KPMG in the UK

Olaf Leurs
Tax Partner,
KPMG Private Enterprise
KPMG in the Netherlands

Melany Eli
Managing Director,
Strategy, Marketing and Communications,
KPMG Private Enterprise,
KPMG International

Creagh Sudding
Director,
Family Business,
KPMG Private Enterprise,
KPMG in South Africa

Ona Ike
Senior Manager,
Global KPMG Private Enterprise,
Tax PMO Lead,
KPMG International

Laura Taylor
Marketing Manager,
KPMG Private Enterprise,
KPMG in the UK

Nike Olakunri
Senior Manager,
Market and Channels, Global Tax and Legal,
KPMG Private Enterprise,
KPMG International

Heather Baker
Practice Manager,
Family Business,
KPMG Private Enterprise,
KPMG International

Jacquelyn Wrightson
Practice Manager,
Family Office and Private Client,
KPMG Private Enterprise,
KPMG International

Contacts

Argentina

Emiliano Martin
Lead Partner, KPMG Private Enterprise,
KPMG in Argentina
E: emilianomartin@kpmg.com.ar

Rodolfo Canese
Tax Partner,
KPMG Private Enterprise,
KPMG in Argentina
E: rcanese@kpmg.com.ar

Mariano Caminos
Global Mobility Services Manager,
KPMG Private Enterprise,
KPMG in Argentina
E: mcaminos@kpmg.com.ar

Australia

Clive Bird
Partner, KPMG Private Enterprise,
KPMG Australia
E: clivebird@kpmg.com.au

Robyn Langsford
Partner in Charge,
Family Business & Private Clients,
KPMG Private Enterprise,
KPMG Australia
E: rlangsford@kpmg.com.au

Austria

Eugen Strimitzer
Partner, KPMG Private Enterprise,
KPMG in Austria
E: estrimitzer@kpmg.at

Bahamas

Tomas Machado
Head of International Tax,
KPMG Private Enterprise,
KPMG in the Bahamas
E: tmachado2@kpmg.com.bs

Barbados & Eastern Caribbean

Grant McDonald
Managing Partner and Head of Tax,
KPMG Private Enterprise,
KPMG in Barbados & Eastern
Caribbean
E: grantmcdonald@kpmg.bb

Belgium

Thomas Zwaenepoel
Partner, KPMG Private Enterprise,
KPMG in Belgium
E: tzwaenepoel@kpmg.com

Bermuda

Tom Neill
Director,
KPMG Private Enterprise,
KPMG in Bermuda
E: tomneill@kpmg.bm

Bolivia

Drina Krsul
Director of Advisory
KPMG Private Enterprise,
KPMG in Bolivia
E: dkrsul@kpmg.com

Carola Jáuregui
Tax Partner,
KPMG Private Enterprise,
KPMG in Bolivia
E: cjauregui@kpmg.com

Brazil

Jubran Coelho
Lead Partner of KPMG Private
Enterprise in Brazil and South America,
KPMG Private Enterprise,
KPMG in Brazilil
E: jpcoelho@kpmg.com.br

Valter Shimidu
Tax Partner, KPMG Private Enterprise,
KPMG in Brazil
E: vshimidu@kpmg.com.br

Carolina Pereira de Oliveira
Partner, KPMG Private Enterprise,
KPMG in Brazil
E: carolinapoliveira@kpmg.com.br

British Virgin Islands

David Conen
Tax Partner,
KPMG Private Enterprise,
KPMG in the British Virgin Islands
E: dgconen@kpmg.ky

Canada

Dino Infanti
Partner, KPMG Private Enterprise,
KPMG in Canada
E: dinfanti@kpmg.ca

Cayman

David Conen
Tax Partner,
KPMG Private Enterprise,
KPMG in the Cayman Islands
E: dgconen@kpmg.ky

Chile

Enrique Margotta
Partner, Business Process
Outsourcing,
KPMG Private Enteprirse,
KPMG in Chile
E: emargotta@kpmg.com

China

Koko Tang
Tax Partner, KPMG Private Enterprise,
KPMG China
E: koko.tang@kpmg.com

Karmen Yeung
Tax Partner, KPMG Private Enterprise,
KPMG China
E: karmen.yeung@kpmg.com

Colombia

Martín Escobar
Director,
KPMG Private Enterprise,
KPMG in Colombia
E: martinescobar@kpmg.com

Carlos Neira
Director, KPMG Private Enterprise,
KPMG in Colombia
E: ceneira@kpmg.com

Ángel Gamboa
Head of Strategic Segments,
KPMG Private Enterprise,
KPMG in Colombia
E: angelgamboa@kpmg.com

Croatia

Kristina Grbavac
Associate Partner,
KPMG Private Enterprise,
KPMG in Croatia
E: kgrbavac@kpmg.com

Cyprus

Costas Markides
Board Member,
KPMG Private Enterprise,
KPMG in Cyprus
E: costas.markides@kpmg.com.cy

Denmark

Maria-Christina Frances Binau-Hansen
Manager,
KPMG Private Enterprise,
KPMG in Denmark
E: maria-christina.binau@kpmg.com

Finland

Kirsi Adamsson
Head of KPMG Private Enterprise,
Tax and Legal Partner,
KPMG Private Enterprise,
KPMG in Finland
E: kirsi.adamsson@kpmg.fi

Kaj Grüssner
Tax and Legal Partner,
KPMG Private Enterprise,
KPMG in Finland
E: kaj.grussner@kpmg.fi

France

Vincent Berger
Tax Partner,
KPMG Private Enterprise,
KPMG in France
E: vberger1@kpmgavocats.fr

Germany

Michael Christeleit
Senior Manager,
KPMG Private Enterprise,
KPMG in Germany
E: mchristeleit@kpmg.com

Gibraltar

Darren Anton
Director,
KPMG Private Enterprise,
KPMG in Gibraltar
E: darrenanton@kpmg.gi

Greece

Christos Krestas
Partner, Tax
KPMG Private Enterprise,
KPMG in Greece
E: ckrestas@kpmg.gr

Guernsey

Paul Beale
Director
KPMG Private Enterprise,
KPMG in Guernsey
E: paulbeale@kpmg.com

India

Nilesh Mody
Partner,
KPMG Private Enterprise,
KPMG in India
E: nileshmody@kpmg.com

Hong Kong (SAR)

David Chiu
Senior Tax Manager,
KPMG Private Enterprise,
KPMG Hong Kong (SAR)
E: david.chiu@kpmg.com

Ireland

Alan Bromell
Tax partner,
KPMG Private Enterprise,
KPMG in Ireland
E: alan.bromell@kpmg.ie

Camilla Cullinane
Tax partner,
KPMG Private Enterprise,
KPMG in Ireland
E: camilla.cullinane@kpmg.ie

Isle of Man

Justine Howard
Associate Director, Tax
KPMG Private Enterprise,
KPMG in the Isle of Man
E: jhoward@kpmg.co.im

Italy

Tomaso de Simone
Tax Partner,
KPMG Private Enterprise,
KPMG in Italy
E: tdesimone@KPMG.IT

Jamaica

Grant McDonald
Managing Partner and Head of Tax,
KPMG Private Enterprise,
KPMG in Jamaica
E: grantmcdonald@kpmg.bb

Japan

Masayuki Sawada
Partner,
KPMG Private Enterprise,
KPMG in Japan
E: Masayuki.Sawada@jp.kpmg.com

Kempei Asao
Director,
KPMG Private Enterprise,
KPMG in Japan
E: Kempei.Asao@jp.kpmg.com

Jersey

Paul Beale
Director,
KPMG Private Enterprise,
KPMG in Jersey
E: paulbeale@kpmg.com

Kenya

Sandeep Main
Associate Director,
KPMG Private Enterprise,
KPMG in Kenya
E: sandeepmain@kpmg.co.ke

Korea

Byung Kuk Kim
Partner,
KPMG Private Enterprise,
KPMG in Korea
E: byungkukkim@kr.kpmg.com

Malaysia

LaiKok Tai
Partner,
KPMG Private Enterprise,
KPMG in Malaysia
E: ltai1@kpmg.com.my

Malta

Anthony Pace
Partner,
KPMG Private Enterprise,
KPMG in Malta
E: anthonypace@kpmg.com.mt

Mexico

Ricardo Arellano
Co-lead Partner — Tax,
KPMG Private Enterprise,
KPMG in Mexico
E: rarellano@kpmg.com.mx

Jesus Luna
Lead Partner for KPMG Private Enterprise and Family Office,
KPMG Private Enterprise,
KPMG in Mexico
E: jjluna@kpmg.com.mx

David Escalante
Lead Partner for Family Office,
Co-Lead Partner Tax,
KPMG Private Enterprise,
KPMG in Mexico
E: escalante.david@kpmg.copm.mx

Netherlands

Olaf Leurs
Tax Partner,
KPMG Private Enterprise,
KPMG in the Netherlands
E: Leurs.Olaf@kpmg.com

Charlotte Zandvoort
Tax Director,
KPMG Private Enterprise,
KPMG in Netherlands
E: Gerritsen.Charlotte@kpmg.com

New Zealand

Jane Fletcher
Director,
KPMG Private Enterprise,
KPMG in New Zealand
E: jmfletcher@kpmg.co.nz

Natalie Berkett
Tax Director,
KPMG Private Enterprise,
KPMG in New Zealand
E: NBerkett@kpmg.co.nz

Pakistan

Kamran Butt
Partner,
KPMG Private Enterprise,
KPMG in Pakistan
E: jmfletcher@kpmg.co.nz

Peru

Jubran Coelho
Partner,
KPMG Private Enterprise,
KPMG in Peru
E: jpcoelho@kpmg.com.br

Poland

Andrzej Bernatek
Partner,
KPMG Private Enterprise,
KPMG in Poland
E: abernatek@kpmg.pl

Portugal

Luís Magalhães
Partner,
KPMG Private Enterprise,
KPMG in Portugal
E: lmagalhaes@kpmg.com

Rwanda

Sandeep Main
Associate Director,
KPMG Private Enterprise,
KPMG in Rwanda
E: sandeepmain@kpmg.co.ke

Serbia and Montenegro

Igor Lončarević
Head of Tax,
KPMG Private Enterprise,
KPMG in Serbia and Montenegro
E: iloncarevic@kpmg.com

Singapore

Wu Hong Chiu
Partner,
KPMG Private Enterprise,
KPMG in Singapore
E: wchiu@kpmg.com.sg

Slovakia

Marek Masaryk
Tax Partner,
KPMG Private Enterprise,
KPMG in Slovakia
E: mmasaryk@kpmg.sk

South Africa

Ziyaad Ravat
Associate Director,
KPMG Private Enterprise,
KPMG in South Africa
E: ziyaad.ravat@kpmg.co.za

Melissa Duffy
Partner,
KPMG Private Enterprise,
KPMG in South Africa
E: melissa.duffy@kpmg.co.za

Spain

Xavier Aixela Marti
Director,
KPMG Private Enterprise,
KPMG in Spain
E: Xaixela@kpmg.es

Sweden

Agneta Hedlund
Director,
KPMG Private Enterprise,
KPMG in Sweden
E: agneta.hedlund@kpmg.se

Switzerland

Hugues Salomé
Partner,
KPMG Private Enterprise,
KPMG in Switzerland
E: hsalome@kpmg.com

Philipp Zuend
Director,
KPMG Private Enterprise,
KPMG in Switzerland
E: pzuend@kpmg.com

Tanzania

Sandeep Main
Associate Director,
KPMG Private Enterprise,
KPMG in Tanzania
E: sandeepmain@kpmg.co.ke

Thailand

Sasithorn Pongadisak
Partner,
Head of KPMG Private Enterprise,
KPMG in Thailand
E: sasithornn@kpmg.co.th

Abhisit Abhisit
Head of Tax,
KPMG Private Enterprise,
KPMG in Thailand
E: abhisit@kpmg.co.th

Thanita Pubordeepong
Partner,
KPMG Private Enterprise,
KPMG in Thailand
E: thanitap@kpmg.co.th

Trinidad and Tobago

Grant McDonald
Managing Partner and Head of Tax,
KPMG Private Enterprise,
KPMG in Trinidad and Tobago
E: grantmcdonald@kpmg.bb

Uganda

Sandeep Main
Associate Director,
KPMG Private Enterprise,
KPMG in Trinidad and Tobago
E: sandeepmain@kpmg.co.ke

United Kingdom

Gavin Shaw
Partner,
KPMG Private Enterprise,
KPMG in the United Kingdom
E: Gavin.Shaw@KPMG.co.uk

United States

Brad Sprong
Partner & Tax Industry Leader,
KPMG Private Enterprise,
KPMG in the United States
E: bsprong@kpmg.com

Uruguay

Nicolás Ramos
Director of Tax & Legal,
KPMG Private Enterprise,
KPMG in Uruguay
E: nramos@kpmg.com

Venezuela

Alejandro Rangel
Lead Partner of KPMG Private Enterprise,
KPMG in Venezuela
E: alejandrorangel@kpmg.com

Vietnam

Thi Mai Anh Nguyen
Director,
KPMG Private Enterprise,
KPMG in Vietnam
E: anguyen9@kpmg.com.vn

Duong Nguyen
Associate Director,
KPMG Private Enterprise,
KPMG in Vietnam
E: duongtnguyen4@kpmg.com.vn

Zimbabwe

Vinay Ramabhai
Partner,
KPMG Private Enterprise,
KPMG in Zimbabwe
E: vramabhai@kpmg.com

Yasmin Masoka
Assistant Manager,
KPMG Private Enterprise,
KPMG in Zimbabwe
E: ymasoka@kpmg.com

Tafadzwa Nyaruvanga
Senior Tax Consultant,
KPMG Private Enterprise,
KPMG in Zimbabwe
E: tnyaruvanga@kpmg.com

About KPMG Private Enterprise

Passion, it's what drives entrepreneurs, it's also what inspires KPMG Private Enterprise advisers to help you maximize success. You know KPMG, but you might not know KPMG Private Enterprise. KPMG Private Enterprise advisers in KPMG firms around the world are dedicated to working with you and your business, no matter where you are in your growth journey — whether you're looking to reach new heights, embrace technology, plan for an exit, or manage the transition of wealth or your business to the next generation. Working with KPMG Private Enterprise, you'll gain access to a trusted adviser — a single point of contact who shares your entrepreneurial mindset. Access to KPMG's global resources and alliance network can help you drive your business forward and meet your goals. Your success is KPMG Private Enterprise's legacy.

Visit: kpmg.com/privateenterprise

About the KPMG Private Enterprise Global Family Business Network

As with your family, your business doesn't stand still — it evolves. Family businesses are unique and KPMG Private Enterprise family business advisers understand the dynamics of a successful family business and work with you to provide tailored advice and experienced guidance to help you succeed. To support the unique needs of family businesses, KPMG Private Enterprise coordinates with KPMG firms from around the world that are dedicated to offering relevant information and advice to family-owned companies. KPMG Private Enterprise understands that the nature of a family business is inherently different from a non-family business and requires an approach that considers the family component.

Visit: kpmg.com/privateenterprise

About the KPMG Private Enterprise Family Office and Private Client Network

As tax systems become more complex, it is important to have advisers who can help you navigate and understand the rules and ensure the correct amount of tax is paid at the right time and in the correct locations. KPMG Private Enterprise's team of tax professionals can help you with all aspects of personal and family taxation.

The KPMG Private Enterprise Family Office and Private Client Network's professionals understand that not every family and private entity is the same. We provide bespoke support customized to the needs of you and your families. We advise on the establishment and operation of family offices with a focus on growth while helping to preserve your energy.

We assist individuals, families and family offices operating in all sectors, irrespective as to how their wealth and success has accumulated.

Visit: kpmg.com/familyoffice

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

kpmg.com/privateenterprise

Designed by Evalueserve.

Publication name: Global family business tax monitor 2023

Publication number: 138580-G

Publication date: February 2023