



Where do I pay Inheritance Tax ?

It was Benjamin Franklin who said that in this world nothing can be said to be certain, except death and taxes. What he did not say was that tax on deaths may be certain but is often far from simple.

Inheritance matters are becoming ever more international. Even Belgians who have always lived in the same town often have bank accounts abroad, or a villa in the sun. And for expatriates arriving in Belgium, planning their inheritance situation can be quite daunting. They have left their families in their home country, they have built up pension entitlements in another, and they have bought a house somewhere else.

They are in Belgium now, but they might just as well retire somewhere else altogether. We cannot look that far ahead but to they pay Belgian inheritance tax when their parents die ? And where will their heirs pay inheritance tax on their estate?

These questions are a matter of international tax law. Not all countries apply the same rules or the same criteria. Most look at the situation of the deceased. If he was domiciled on their territory, they levy inheritance tax on his entire estate. That is what Belgium does: if you die while domiciled here, your entire estate will be subject to Belgian inheritance tax. Even your overseas bank accounts need to be declared for inheritance tax purposes. The good news is that you never pay Belgian inheritance tax on the money your granny in Stockholm left you in her will.

A few countries look indeed at the beneficiaries. Spain levies inheritance tax if the heirs live in Spain. And that can lead to some strange situations. If your parents spend their last days in Spain, no inheritance tax may be due on their estate as long as you and your siblings live outside Spain. But if your only son and heir lives in Spain, it may be difficult to avoid paying inheritance tax twice, in Belgium and in Spain.

All this means that it is possible to reduce the inheritance tax by carefully choosing where you go and end your days. Italy may not be such a bad place: inheritance tax was abolished in 2001. Sweden may well do the same in the coming months.

Please note that for real property the rules are quite different. Real property is easy to trace and that makes it difficult to avoid paying the inheritance tax. That is why most countries charge inheritance tax on land and houses within their territory. Even Spain. If you inherit an apartment in Brussels from an uncle in London, the Belgian inheritance tax will be due in any event ... on top of the British inheritance tax.

Belgium is, however, fair enough to give you some relief to avoid double taxation on overseas properties. Take this Commission official who retired in Belgium. His heirs will be able to deduct the Capital Acquisition Tax (the Irish equivalent of the inheritance tax) they paid on the flat in Dublin. Of course, it is possible that no inheritance tax is due there. The value of the inheritance may be less than the tax-exempt band, or there may not be any inheritance tax between spouses. In that case the tax credit is nil and inheritance tax is due in Belgium on the Dublin flat anyway.



It may well be worthwhile planning where you go and live within Belgium. Inheritance tax and gift tax are different from one region to another. And there is quite a bit of competition between Flanders, Brussels and the Walloon region. When the Flemish gift tax dropped to three and seven percent, the gift tax collected surged. Brussels will follow suit next year.

It is unlikely that Wallonia will ever follow. Wallonia still has prohibitive inheritance tax rates of 80 or 90 percent when acquaintances or distant relatives inherit. In Flanders, the highest rate is 65 percent. What is more, you can even optimise your estate in Flanders, and pay only 3 percent inheritance tax. If your four children inherit a house worth € 200,000 and savings worth € 200,000, they can inherit € 100,000 each and pay only € 3,000. Even if you double these figures, on average they will only pay 6 percent in inheritance tax.

And to determine where the inheritance tax is due, there is a simple rule. It is where you have lived longest during the last five years.

This just shows that estate planning is not something you can hurry.

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