# GENERATIONAL WEALTH TAX

## A Complete Guide for Families and Expatriates

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BLACKTOWER

FINANCIAL MANAGEMENT GROUP

## Generational Wealth Tax: A Complete Guide for Families and Expatriates

For many families, wealth is about more than financial security — it represents opportunity, legacy, and values passed down through generations. Whether it's ensuring your children can access the best education, providing a safety net for grandchildren, or creating a philanthropic legacy, generational wealth planning is one of the most important aspects of financial strategy.

Yet across the globe, governments are tightening tax rules on wealth transfers. Inheritance tax, estate tax, succession duties, gift rules, and even pension reforms are reshaping how wealth moves between generations.

For high-net-worth individuals (HNWIs) and expatriates in particular, the challenge is twofold: protect your assets from unnecessary taxation, while ensuring your wealth is passed on smoothly, fairly, and in line with your wishes.

This guide explores what you need to know about generational wealth tax — from definitions and international comparisons to planning strategies and practical steps you can take now.

### Part One: What Is Generational Wealth Tax?

"Generational wealth tax" is not a single tax, but a group of taxes applied when wealth is passed down. These can include:

- **Inheritance Tax (IHT):** Applied to estates at death.
- **Estate Tax:** Similar to IHT but common in the U.S.
- **Gift Tax / Lifetime Transfers:** Applied to gifts made during an individual's lifetime.
- **Succession Duties:** Levied on recipients of inheritance (common in EU countries).
- **Wealth/Annual Taxes:** Reduce the value of estates over time.

## Key Generational Wealth Taxes by Country

| COUNTRY | MAIN TAX TYPES | KEY THRESHOLDS / RATES (2025) | NOTES |
|---|---|---|---|
| **UK** | Inheritance Tax (IHT) | **40%** above **325,000 (NRB);** Residence Nil Rate Band **175,000** | 40% above 325,000 (NRB); Residence Nil Rate Band 175,000 |
| **Spain** | Succession & Gift Tax | Varies by region; up to **32%+** | Large reductions in Madrid/ Andalusia |
| **France** | Succession Duties | **5–45%** depending on relationship | 100,000 allowance per child, renewed every 15 years |
| **U.S.** | Estate Tax | **40%** above **$13.61m** exemption (per person, 2025) | Exemption halves in 2026 |
| **Portugal** | Stamp Duty (Inheritance) | **10%** on Portuguese assets (not for spouses/children) | No wealth tax |
| **Switzerland** | Cantonal Inheritance Tax | Varies by canton | Often 0% for direct descendants |

## Part Two: Why Governments Are Tightening Wealth Taxes

- **Revenue Needs:** Ageing populations and rising public spending drive governments to seek revenue from estates rather than income.
- **Fairness & Inequality:** Policymakers argue wealth transfers entrench inequality, justifying heavier taxation.
- **Closing Loopholes:** Pensions, trusts, and offshore structures are being brought into scope.

## Trend Watch 2024–2027:

- UK pensions included in IHT from April 2027.
- U.S. estate tax exemption halving in 2026.
- Spain tightening succession compliance; enforcement more rigorous.
- France emphasising lifetime gifting but with strict 15-year reset.

## Part Three: The Challenges for Families

1. Cross-Border Complexity – multiple tax regimes can overlap.
2. Liquidity Issues – illiquid estates (property, businesses, art) face tax without cash.
3. Changing Rules – efficient plans today may be penalised tomorrow.
4. Family Dynamics – balancing fairness and tax efficiency isn't always straightforward.

## Part Four: Strategies That Can Protect Generational Wealth

### 1. Lifetime Gifting

- Make use of annual allowances (UK 3,000; France 100,000 every 15 years).
- Consider "seven-year rule" in the UK for potentially exempt transfers.
- Spreads tax liability and lets you see the benefit of gifts.

### 2. Trusts & Foundations

- Useful for long-term control and asset protection.
- Can shield assets from unnecessary taxation.
- Must be structured carefully to comply with local laws.

### 3. Pensions & Retirement Planning

- With UK reforms, pensions may no longer be IHT-free.
- Review beneficiary nominations and possible trust options.

### 4. Business Succession Planning

- Family businesses often benefit from reliefs (e.g., UK Business Relief up to 100%).
- Formal succession planning avoids disruption and prevents tax inefficiency.

### 5. Life Insurance Solutions

- Creates liquidity to cover inheritance tax bills.
- Ensures other assets don't need to be sold under pressure.

### 6. International Coordination

- Use Double Tax Treaties (DTTs) to avoid double taxation.
- Align domicile, residency, and inheritance rules across jurisdictions.

## Part Five: Case Studies

### Case Study 1 – Returning Expat (UK)

John returned from Portugal, where inheritance rules are light, to the UK where IHT applies at 40%. With advice, he restructured assets, used trusts, and made lifetime gifts. Result: IHT liability reduced by 800,000.

### Case Study 2 – Cross-Border Family (Spain/UK/U.S.)

Maria lived in Spain, with children in London and New York. Without planning, her estate would face double taxation. By using DTTs, gifting, and insurance, her family avoided excessive tax exposure and preserved harmony.

### Case Study 3 – Family Business Succession

The Patel family ran a business worth 5m. Without planning, IHT could have exceeded 2m. By qualifying for Business Relief, the transfer to the next generation was tax-efficient and smooth.

## Part Six: The Role of Professional Advice

**Generational wealth planning requires:**

- Familiar with Tax Implications (domestic and international).
- Legal structure knowledge (trusts, foundations, wills).
- Investment insight (to grow and protect wealth).
- Understanding family dynamics.

Advisers coordinate across jurisdictions, model scenarios, and help adapt plans as laws change.

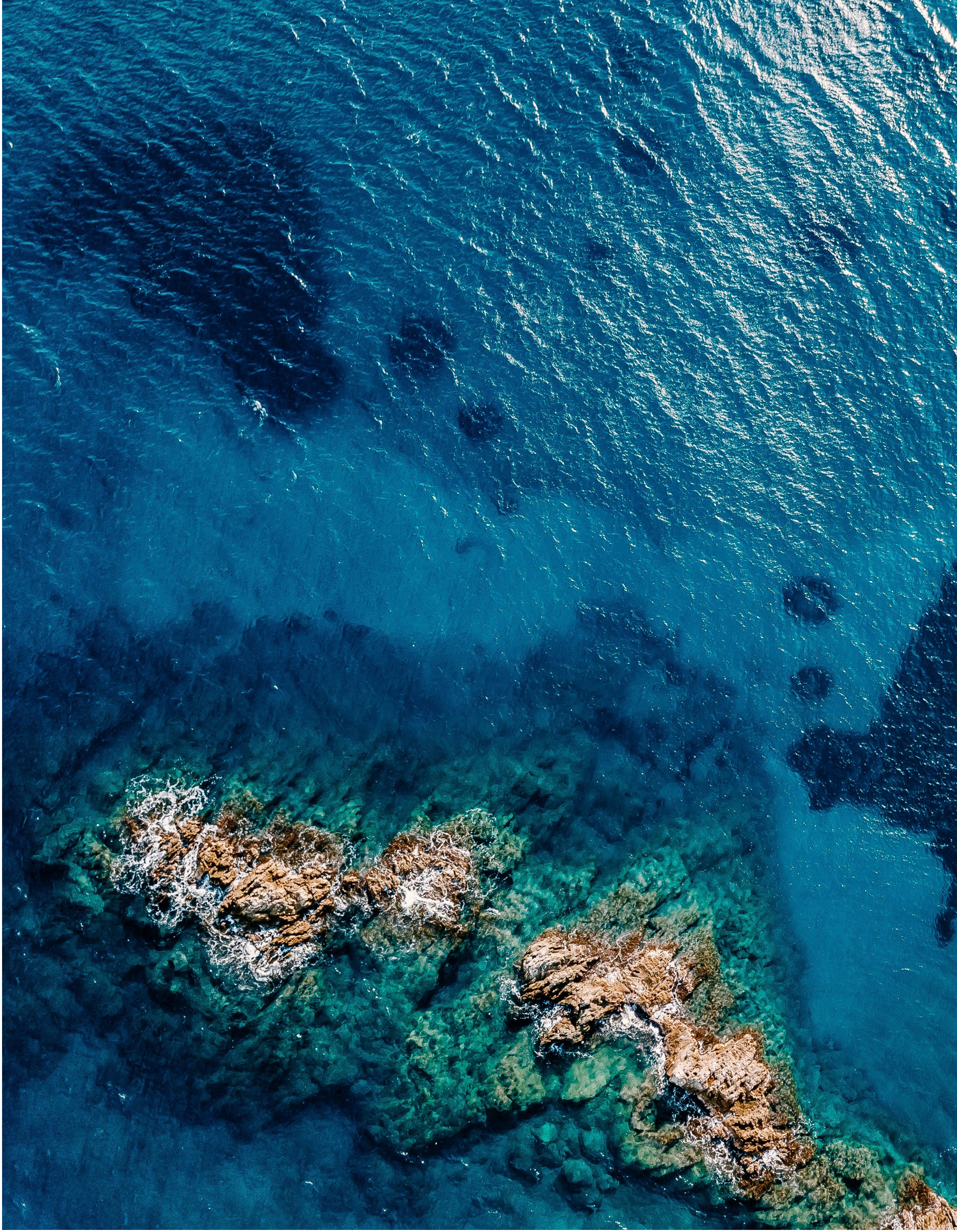
### Quick Checklist: 5 Things you may wish to consider

1. Review your will and update for cross-border exposure.
2. Explore lifetime gifting allowances.
3. Assess your pension and estate planning in light of 2027 changes.
4. Consider a trust or foundation for long-term family protection.
5. Seek professional advice to coordinate multi-jurisdictional tax planning.

## CONCLUSION

Generational wealth planning is about more than numbers — it's about planning your family's future. Without planning, significant portions of wealth can be lost to taxation, leaving less for the people and causes that matter most to you.
By acting early, using available allowances, and structuring wealth carefully, families can preserve more of their legacy. With professional guidance, it's possible to protect wealth across borders and through changing legislation — potentially ensuring your legacy endures for generations.

At Blacktower, we specialise in helping expatriates and international families structure their wealth for maximum protection and efficiency. Whether you're concerned about inheritance tax, succession duties, or cross-border estate planning, our advisers are here to help. We also work closely with tax professionals and can connect you with the right expert if you need one.



# Our Heritage Protects Your Horizon

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