China inheritance tax not to come any time soon

Description

At the end of last month, in response to an inquiry by a member from National Committee of Chinese People's Political Consultative Conferrence, China State Administration of Taxes published on its website its reply. It said:

(1) China has not levied inheritance taxes so far, and has never published any regulation on this or even any draft regulation on inheritance tax;

(2) from its studies on this law, inheritance taxation has three characteristics:

(a) scope of taxation is complex: estates take various forms, including real properties, bank deposits, cash, stock, securities, antiques, jewelry but also IPR; to level inheritance tax, it requires full knowledge of residents' properties and their inheritance and devises;

(b) procedures for collecting inheritance taxes are complex: it will entail appraisal of those various properties which will consume a lot of work and can easily result in disputes, and the procedures for dispute resolution is complicated;

(c) inheritance tax requires other auxiliary supporting mechanisms such as close coordination between different governmental departments, tax preservation measures and compulsory measures.

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The news has run comments from an expert in this area saying that China's inheritance tax is not going to come any time soon, hinting it may never be enacted at all, citing the phenomenon that many developed countries have already stopped levying inheritance taxes since 2000, such as Australia, Canada, New Zealand, Italy and Singapore and now United States as a result of Donal Trump's tax reform initiatives.

Overseas Chinese that have substantial assets or properties within China may not be too worried about inheritance taxes that has been in rumors for many years prompting many Chinese rich families to move their China assets outside of China.

Despite this clarification from top China tax authority, those who have substantial assets in China shall still need to explore other options to dispose of or pass on to next generation their wealth and properties.

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Author
admin

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