Inheritance Tax in India: Is there a need of Resurrection?

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ABSTRACT

Inheritance tax is a direct tax that is often regarded as the most progressive of the various tax systems in the nation. Inherited property is subject to Inheritance Tax. The assets that are bequeathed to a person from a deceased person are known as inherited property. Inheritance is the process of passing a person's property, titles, debts, rights, and duties to their lawful heirs following their death, either via a Will or by the rules of succession. Under the Estate Duty Act of 1953, it was first implemented in India as Estate Duty. The rate of inheritance tax varies depending on the heir's connection to the descendent and the amount of the property inherited. This tax is not now applied in India since any inherited property obtained through a Will, by way of inheritance, or in anticipation of the payer's death is excluded from Income Tax under Section 56(ii).

Various state governments are struggling to pay their employees' wages as a result of the outbreak of Covid-19. The same is true for the Central government. It is the result of a number of factors that have been in play for at least a decade. According to reports, the central government is exploring a variety of methods to deal with the issue. The reinstatement of inheritance tax is one of them. The purpose of this study is to examine whether reintroducing inheritance tax would be advantageous to India, taking into account its social and economic structure, and comparing it to the inheritance tax model used in the United Kingdom.

Keywords: *Inheritance Tax, Direct Tax, Estate Duty, Death tax, Reintroduction.*

I. INTRODUCTION

Inheritance tax is a tax charged on property that is inherited by legal successors after the death of its predecessor. Despite being a progressive tax, inheritance tax has long been a source of controversy across the globe. While proponents of social justice and equality see it as a way to reduce inequality by bridging the gap between rich and poor, it is opposed by those who prioritise liberal property rights, or those who argue that the government should not intervene in family property matters and refuse to pay double tax on the same property. Scholars from countries that have imposed inheritance tax are persuading their governments to repeal it, while

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nations that do not have inheritance tax are contemplating enacting it. The purpose of inheritance tax is to avoid wealth concentration in the hands of a few people and to redistribute wealth. However, it is often criticised for its ineffectiveness and inability to address the issue of income disparity.

India is one of the nations that does not charge an inheritance tax; nonetheless, it is worth noting that India used to charge an estate tax. It was first used in 1953, but was later phased out in 1985. Nonetheless, there have been rumours that the administration intends to reinstate inheritance tax. As a result, the purpose of this study is to examine whether reintroducing inheritance tax would be advantageous to India, taking into account its social and economic structure, and comparing it to the inheritance tax model used in the United Kingdom. It will also cover the delicate boundary between inheritance tax and estate tax, as well as a short discussion of the estate duty of 1953.

Throughout history, there has always been a conflict between the public welfare and private liberty. Inheritance tax, which falls under the umbrella of the fight between individual liberty and the common welfare, has been the subject of discussion throughout history. Inheritance Tax was formerly known as death levy since it is a tax imposed upon a person's death and dates back to the Roman Empire. The modern version of this tax arose during the mediaeval kingship period, when the sovereign was the ultimate authority and permission was necessary to transfer property ownership in the case of the owner's death.

When property passes from one generation to the next, most governments have developed a method of taxing it. Around the globe, there are two types of inheritance tax systems: a done-based system known as inheritance tax and a donor-based system known as estate tax. Though the terms "inheritance tax" and "estate tax" are sometimes used interchangeably, there is a distinction between the two. An estate tax is imposed on the entire value of all property owned by a dead person, while an inheritance tax is imposed on the value of individual inheritance received from the estate of a deceased person. The estate tax is levied on the donor and is sometimes referred to as the "everything tax" since it is levied on everything possessed by the dead person. Inheritance tax is levied on the receiver and is determined based on the number of heirs and their wealth. Estate tax is simpler to handle than inheritance tax since the estate tax just requires determining the worth of the whole estate, while total tax is computed individually based on the number of heirs and their wealth.

A type of taxation assessed on property acquired as a result of an inheritance is known as estate duty or inheritance tax. Legal heirs who inherit someone's property and assets must pay inheritance tax for doing so. Even though this is the standard in many nations, India repealed the law in 1985 due to problems with its execution. It was full with gaps that let dishonest people manipulate the system and squeak through.

II. Meaning of Inheritance Tax

The income that a person receives through his or her ancestors' property is subject to a tax known as inheritance tax. In the event of a person's passing, his or her legal heirs, children, grandchildren, or wards would inherit the deceased's property. The property that was inherited is frequently a source of revenue for the new owner, including rent, interest, etc. The income is given to the heir when they become the owner. The new owner must report this income and pay taxes in accordance with the law.

It appears that the legal, moral, and logical underpinnings of inheritance tax are strong. It adjusts the power balance for both the extremely wealthy inheritors and the unfortunate ones. It also draws on utilitarian economic ideas, which hold that a redistribution of original endowments can lead to the creation of an ideal social state. Much of the economic inequality we are so accustomed to seeing around us has its roots in the discrepancy brought about by inherited riches. It is predicted that inheritance taxation will weaken, if not fully eliminate, it. Inherited wealth has been subject to taxes in nations like England, France, Germany, the United States, and Greece that can reach 40%.

The estate duty has not achieved the twin objectives to lower the unequal distribution of wealth and help the states in paying their development initiatives, according to then-finance minister Vishwanath Pratap Singh, who stated this in his Budget statement in 1985. Even though estate duty only generates roughly 20 crore, administration costs are quite expensive. Estate tax had been eliminated by the third week of March. Prior to this, inheritance tax was popular in India for more than 30 years.[2]

III. United Kingdom model of Inheritance tax

India and the United Kingdom have a long history together; legislation enacted under British control, such as the Indian Penal Code 1860 and the Contracts Act 1872, are still in effect in India. Even post-independence legislation owes its origins to the United Kingdom. India and the United Kingdom share a political democratic system. However, there are significant social, economic, and cultural gaps. Inheritance tax has a long and complicated history in the United Kingdom, going back to 1694; the current version was enacted in 1986. It is governed by the

[2] Ministry of Finance, Budget 1985-86, para 88 page 17.

'Inheritance Tax Act 1984, which is a tax charged on the property's net worth, making it a donor-based tax. It is a single inheritance tax system under which the deceased's property is taxed at a "flat rate of 40% with a nil rate band of £3,25,000, i.e., no tax is levied if the value of your estate is less than £3,25,000."[3] Gifts made seven years before death are exempt from taxation; but, after the implementation of new laws in 2006, gifts made to trusts, whether donated during life or at death, are subject to taxation.

The basic threshold is £3,25,000, which can be increased to £500,000 if the deceased's estate includes residential property; this is known as the 'residence nil rate band,' which was introduced by the Summer Finance Bill 2015 and took effect in 2017 with the goal of reducing the tax burden on families by making it easier to pass the family home to direct descendants without incurring tax. It was initially planned at 1,00,000 pounds in 2017, with a 25,000-pound rise per year until 2020, when it would reach 175,000 pounds. Property must be inherited by direct descendants to qualify for RNRB. If the estate's net worth reaches £2 million, the supplementary nil-rate band will be reduced by £1 for every £2 the net worth surpasses that level.[4]

The threshold for gifts is 3000 pounds per tax year, which means that gifts up to that amount will not be treated as "estate" as long as the person making the gift is alive for seven years from the date of the transfer; however, if the person dies within seven years of making the gift, even if it is within the 3000 pounds limit, tax will be levied. Gifts made within three years after death are subject to a 40% inheritance tax. Gifts given between three and seven years before death are subject to a sliding scale of taxation known as "taper relief." In the United Kingdom, inheritance tax is charged when property is passed down through generations; however, inheritance tax is not charged when property is passed down to a live spouse or civil partner. Furthermore, any unused threshold may be transferred to your partner's threshold after you die, known as transferable nil rate band, if you're married or in a civil partnership and your inheritance is worth less than your threshold. As a result, their entry point might be as high as £1 million.[5].

Inheritance tax has long been a contentious topic in the United Kingdom, as it is around the globe. One of the most common criticisms heard all around the globe is that it seems to be 'double taxation. It is claimed that inheritance tax is a second tax on the same income since individuals are already taxed on their money via 'income tax' or 'capital gain tax' in the United

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[3] GOV.UK, *Available at* https://www.gov.uk/inheritance-tax (last visited Nov. 01, 2022).

[4] GOV.UK, Available at https://www.gov.uk/government/publications/inheritance-tax-main-residence-nil-rate-band-and-the-existing-nil-rate-band/inheritance-tax-main-residence-nil-rate-band-and-the-existing-nil-rate-band (last visited Nov. 01, 2021).

[5] GOV.UK, *Available at* https://www.gov.uk/inheritance-tax (last visited Nov. 01, 2021).

Kingdom. Another complaint levelled about inheritance is that it produces little money and does nothing to equalise wealth distribution. However, these accusations that inheritance tax generates little money were true in the early 2000s; since 2009, the inheritance bill has been on the increase. Inheritance tax receipts increased from 2.7 billion in 2010-11 to a new high of 5.4 billion in 2018-19. Furthermore, the number of estates paying inheritance tax (IHT) increased by 15% from 24,500 in 2016-17 to 28,100 in 2018-19[6]. This has been attributed to the government's decision to freeze the threshold at 325,000. However, figures do not tell the full storey; although the inheritance tax has raised government income, there has been no significant attempt to make it more successful in accomplishing its ultimate purpose of lowering inequality and preventing wealth concentration in a few hands. It has failed to reduce wealth disparity in this area, since affluent individuals profit from loopholes in the law. Exemptions for lifelong gifts, as well as other exemptions such as no inheritance tax on agricultural property, allow affluent individuals to avoid paying inheritance taxes by donating their inheritance throughout their lives, but middle-class persons who are barely over the threshold are unable to do so.

The analysis of inheritance tax in the United Kingdom reveals that the government has been able to raise substantial money via continual tax revisions since 2009. However, it still has a long way to go in terms of implementing an efficient framework that is free of loopholes in order to achieve inheritance tax's ultimate goal of decreasing wealth disparity.

IV. Scope of Inheritance Tax in India

In India, inheritance tax was imposed from 1953 until 1985, when it was repealed. It was a donation-based system administered by the 'Estate Duty Act of 1953,' which levied a tax on the net worth of inherited property. India suffered from significant discrepancies between wealthy and poor at the time of independence, and the government had no source of money; as a result, an inheritance tax was enacted to encourage wealth distribution, decrease inequality, and produce revenue. The highest tax rate was 85 percent, which was levied on property valued at more above 20 lakhs rupees. Property that the dead person was competent to dispose of at the time of his or her death was regarded to be part of one's estate.[7] Tax was not levied on estates with a value of less than one lakh rupees and Hindu undivided property with a value of less than fifty thousand rupees. Inheritance tax was only payable when property was passed between generations; if the property was handed to a spouse, no tax was due. A gift of property made

[6] Office of tax simplification, *Available at* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/758367/Final_Inheritance_Tax_Report_-_web_copy.pdf (last visited Nov. 01, 2021).
[7] Estate Duty Act, 1953, § 2(15), No. 34, Acts of Parliament, 1953 (India).

with the intention of passing on the donor's death will be regarded to pass on the donor's death.[8] Gifts made during one's lifetime were assumed to pass on death if made within six months of death for public charity purposes and within two years for other reasons.[9] Exemption was allowed in the event of gifts made to charity causes up to a maximum of INR 2,500 and INR 1,500 in the case of other gifts,[10] according to the statement. Estate duty has received a great deal of criticism during the last 30 years. The main complaint levelled against it was that it was completely incapable of achieving the objectives set forth for it. Inheritance tax was enacted with the goal of preventing wealth concentration in the hands of a few people and as a tool to close the gap between the wealthiest and the poor in the nation. The legislation was also criticised for its complexity, in which various value standards were allocated to different types of property. Estate tax, together with wealth tax, was perceived as two taxes on the same basis, leading to accusations of double taxation. Furthermore, the tax yielded very little money while the administrative costs remained considerable. The affluent were able to avoid paying inheritance taxes by hiding their assets via the practise of owning Benami land, which the government was powerless to stop. As a consequence, Estate duty was rendered ineffectual in earning any significant money. Estate duty was eventually repealed since it failed to fulfil any of its goals.

With recent concerns about the reintroduction of inheritance tax in India, it is vital that we examine both the reasons for and against inheritance tax. Given India's conditions, 91 percent of the adult population has wealth below USD 10,000, it is asserted. On the other hand, just a tiny percentage of the population (0.6 percent of adults) has a net worth of more than USD 100,000, while the wealthiest 1% control 51.5 percent of the entire wealth.[11] It is undeniable that there is a significant discrepancy between affluent and poor people, and application of an inheritance tax is desirable in light of this imbalance.

The imposition of an inheritance tax is thought to reduce wealth disparity and prevent wealth build-up in the hands of a few. Because it is imposed solely on the wealthiest 1% of the population, it will not only provide more income for the government, but will also aid in closing the wealth gap. Given the growing inequality, some argue that enacting an inheritance tax would be a critical step toward realising the goal of a more egalitarian society. Passing on excess money, they believe, leads to wealth concentration in the hands of a few families, and it is only

[8] Estate Duty Act, 1953, § 8, No. 34, Acts of Parliament, 1953 (India).
[9] Estate Duty Act, 1953, § 9(1), No. 34, Acts of Parliament, 1953 (India).
[10] Estate Duty Act, 1953, § 33(1), No. 34, Acts of Parliament, 1953 (India).
[11] Credit Suisse, Global Wealth Report, 2018, *Available at* https://www.credit-suisse.com/media/assets /corporate/docs/publications/research-institute/global-wealth-report-2018-en.pdf (last visited Nov. 01, 2021).

natural for the government to tax such transactions since they violate the ideal of equality. An inheritance tax may seem to be a great cause to pursue at first glance, particularly in a nation like India, where 800 million people live in villages and demand basic facilities such as clean drinking water, sanitation, education, and so on.[12]

The administration, on the other hand, should carefully consider the reasons made against it. Inheritance tax, critics contend, has failed to be a substantial source of income in any nation where it has been imposed. Despite a rise in income, the UK's contribution to overall GDP in 2018 was just 0.3 percent. Similarly, despite having the fourth highest estate tax rate in OECD nations, generating barely 0.1 percent of overall income earned, the United States generated only 16,672 million dollars in 2019 compared to 29,010 million dollars in 2000. While it contributes up to 2% in nations like Taiwan and the Republic of Korea, which is much more than other countries, it remains relatively low in other countries. Another significant critique is that it has failed to narrow the gap between wealthy and poor, on the contrary, it is believed that it has exacerbated it, since affluent individuals typically avoid tax while others who are barely over the threshold are subjected to it, as can be observed in the United Kingdom. America's wealthiest 5% hold two-thirds of the country's wealth, which has climbed from 55.20 in 2001 to 66.70 in 2016.[13]

Despite the fact that there are various other variables at play, arguments that the Inheritance Tax aids in income redistribution cannot be supported by evidence. Another point of contention is the avoidance of inheritance taxes. In the majority of nations where inheritance taxes are in place, evasion is common, impeding the achievement of the tax's objectives. Furthermore, as compared to the low tax return, the expense of administration is extremely considerable. Because the affluent will escape the tax in a variety of ways, including transferring their money to trusts or attempting to construct Hindu Undivided Property to evade the tax, such regulations will only affect the middle class who are barely over the threshold. Because the tax-paying community in India is already tiny, accounting for just 4% of the population, and already faces high GST rates and other taxes, the implementation of an inheritance tax will merely add to the burden. Because marriage rules and succession are varied for various faiths, India's constitution guarantees residents freedom of religion as a basic right. This makes inheritance laws in India very convoluted. Due to the lack of a uniform civil code to handle these matters, the introduction of inheritance tax would only result in the formation of a cumbersome law, similar to that of its

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[12] Tushar Gupta, Budget 2019: Why the Government was Right in Skipping the Inheritance Tax, Swarajya, (Nov. 02, 2021, 10:29 PM), *Available at* https://swarajyamag.com/economy/budget-2019-why-the-government-was-right-in-skipping-the-inheritance-tax

[13] INEQUALITY.ORG, *Available at* https://inequality.org/facts/wealth-inequality/ (last visited Nov. 14, 2021)

predecessor, the Estate Duty, which was enacted in 1953. Such convoluted legislation would simply result in increased litigation and administrative costs, as well as loopholes that anyone may exploit, making the tax useless.

V. Need of Inheritance tax after COVID-19

Due to the increasing knowledge of the enormous disparity that exists, the globe is beginning to see the advantages of this type of taxation. The subprime mortgage crisis of 2008 is only one example of the several worldwide crises that have been exacerbated by such high levels of inequality. IMF economists Jonathan D. Ostry and Andrew G. Berg have shown through their research that an economy with high levels of inequality is unlikely to maintain a high growth path going forward. The wealthy top percentile, who obtain their fortune mostly through inheritance, is a significant contributor to this inequality. This gap is even more obvious in rapidly rising economies like India.[14]

There are a few strong arguments in favour of inheritance taxes restoring to India.

- At first glance, the inheritance tax seems to be a profitable answer to a variety of socio-economic issues. However, it's worth noting that the Indian government imposed an estate charge in 1953, which was later repealed. VP Singh, the then-finance minister, remarked while presenting the 1985-86 budget, *"I am of the view that estate duty has not achieved the twin objectives with which it was introduced, namely, to reduce unequal distribution of wealth and assist the States in financing their development schemes. While the yield from estate duty is only about Rs. 20 crores, its cost of administration is relatively high. I, therefore, propose to abolish the levy of estate duty"*.[15] As a result, the parliament abolished the Estate Duty Act, which required legal heirs of a deceased person to pay taxes equal to up to 85 percent of the amount of inherited wealth/property. As a result, the concept of estate duty has been dubbed a disaster in India. However, this failure does not necessarily imply that the idea of inheritance tax failed; rather, it was the government's incapacity to efficiently administer it. When the Nehru administration chose to implement inheritance tax in 1953, it took a flexible, experimental approach from the start. While concluding the discussion on the estate duty bill in the Lok Sabha, then-Finance Minister CD Deshmukh asserted that *"Now, although we have tried to make our law as perfect as possible, none of us is under the illusion that the law now enacted will remain unchanged*

[14] https://www.forbesindia.com/article/new-year-special-2022/a-case-for-inheritance-tax-by-nikhil-kamath/72915/1.
[15] Ministry of Finance, Budget 1985-86, para 88 page 17.

for all time to come. It is a characteristic of all tax laws, including our own, that they keep on changing, not necessarily because the laws are imperfect but because the financial and economic considerations keep on changing and also because unfortunately, tax evaders develop new methods of dodging their liability".[16] It has undergone several adjustments throughout time, including as the introduction of a gift tax, changes in slab rates, and exemptions. The tax, however, was not successful owing to structural limits. Instead of attempting to repair the estate duty, Rajiv Gandhi's administration opted to give up and eliminate it.

- The first benefit is that wealth will be distributed more effectively. Indian affluent families from various socioeconomic backgrounds all had one thing in common: inherited wealth. In addition to being detrimental to the economy, this limits social mobility. This problem can be significantly improved with the correct application of inheritance taxes. India has seen unprecedented levels of economic disparity in recent years. India is now considered one of the world's most economically unequal nations. According to an Oxfam report of 2020, the wealthiest 1% of Indians hold 42.5 percent of the country's wealth, and the richest 10% own 74.3 percent, while the lowest 50% own just 2.8 percent.[17]
- Furthermore, the COVID-19 Pandemic is expected to serve as a catalyst for widening the gap between rich and poor. The International Labour Organization (ILO) has warned India that the epidemic might put 40 million people out of work. According to the Billionaires Insights Report 2020 issued by UBS and PwC, during the lockdowns from April to July, when the working class was dealing with hunger, unemployment, migration, and barely making ends meet, India's billionaires grew their fortune by 35%.[18]
- Second, this method of handling public finances is also consistent with the egalitarian principles established in the Indian Constitution. Equitable wealth taxes is a significant step in the right to equality's realisation, which is one of the Constitution's main guarantees. When people and sitting MPs ask the incumbent government about its strategy for reducing such massive economic inequality, it responds with typical, ambiguous, and highly questionable answers, listing all social security schemes from Jandhan Yojna to Swach Bharat as policies to empower the vulnerable, while remaining silent on taxing the wealthy. Furthermore, the government's income has decreased significantly as a result of

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[16] Parliamentary debate, House of People, Vol. 26-33,

[17] Amartya Sen, *Wealth Inequality and Unpaid Care Work for Women in India,* Oxfam India, 2017. *Available at:* https://www.oxfamindia.org/sites/default/files/2020-01/India%20supplement.pdf (Last access: Nov. 16, 2021).

[18] Josef Stadler and Marcel Tschanz, *Riding the storm*, Billionaires insights 2020. *Available at:* https://www.pwc.ch/en/publications/2020/UBS-PwC-Billionaires-Report-2020.pdf (Last access: Nov. 16, 2021).

the epidemic. From April to November, the fiscal deficit more than doubled (135 percent) of what was expected, prompting the government to cut spending that is otherwise critical for social security efforts in such a situation[19]. Overall, it is reasonable to infer that the vicious cycle of inequality is accelerating at an unprecedented rate.

- The Inheritance tax, often known as the estate tax or death tax, is the remedy for the Indian economy at this moment in order to battle these massive inequalities. It is, as the name implies, a tax charged by the government on inherited wealth received by legitimate heirs from their forefathers (mostly deceased). The government may gradually tax the wealthier portion of the population under this tax, generating substantial receipts that can be spent on social services. In India, a person is required to pay income tax on all earnings derived from his talents, labour, and time. Ironically, one may acquire an enormous amount of wealth just by virtue of birth and not have to pay a dime in taxes. As a result, as compared to income tax, inheritance tax is actually fairer, more equitable, and more just. Inheritance tax is imposed in roughly 50 nations throughout the globe, including the United States (40 percent), the United Kingdom (40 percent), Japan (55 percent), South Korea (50 percent), France (45 percent), and Germany (30 percent). It's worth noting that all of the aforementioned nations are often considered pro-capitalism, but India lacks such policies despite working on socialist ideas that promote economic equality.[20]
- Another important advantage of a fair inheritance tax is that it encourages charitable giving and philanthropy. Former finance minister Arun Jaitley can be trusted on this. He claimed this in December 2018, while speaking at an AIIMS event he stated that *"Most hospitals internationally have some of the largest endowments. Most educational institutes have some of the largest endowments. ... So, I was analysing why that condition doesn't exist in our country. And one of the reasons I found out was that those societies have very large inheritance taxes. Therefore, a lot of people in their old age prefer to go for charitable donations in order to get around that inheritance tax. Since we don't have that inheritance tax in India, our charities are not in terms of such endowments,"*[21]
- Furthermore, as previously said, the federal government, particularly state governments, is in a grave budgetary crisis. Inheritance tax might provide states with a new stream of

[19] The Hindu, *Available at* https://www.thehindu.com/business/fiscal-deficit-shoots-up-to-135-of-target/article33466288.ece (last visited Nov. 16, 2021).
[20] Alan Cole, *Estate and Inheritance Taxes around the World,* Tax foundation, Mar. 2015, *Available at:* https://files.taxfoundation.org/legacy/docs/TaxFoundation_FF458.pdf (Last visited: Nov. 16, 2021).
[21] Business line, *Available at* https://www.thehindubusinessline.com/economy/inheritance-tax-has-spurred-large-endowments-to-hospitals-universities-in-the-west-jaitley/article25826847.ece (last visited Nov. 16, 2021).

income (estate duty revenue used to fall into share of state governments). Above all, inheritance tax would encourage a new wave of generosity and charity, which will aid in social upliftment and the development of world-class medical and educational institutions.

- Another reason is indirect taxes, which have a greater impact on the country's economically poorer groups, account for the majority of India's tax income. The urgent need is for more direct taxes, and inheritance tax is a crucial component of this. It can generate a considerable amount of money for the exchequer.
- Lastly, the Government of India would be free to lower the basic income tax obligation on the economically poorer portions of the nation thanks to the greater tax money that would be generated. This might lessen the high entrance barrier that prevents more people from beginning their own businesses.
- Regardless, it is important to remember that the government must use a realistic approach in order to properly implement inheritance tax. The health of our economy will not improve unless we infuse the 'S' element into our fiscal rules, and make them Sane, Simple, and Stable, remarked famed jurist and economist Nani Palkhivala. For example, having a tax rate of 85 percent in the estate duty statute was just not a good idea. There was no way in the world that the country's super-rich would pay an 85 percent tax to the government in order to inherit their own hereditary fortune. Taxes must be sustainable.

VI. Advantages of Inheritance Tax

1. **Source of revenue:** The most significant benefit of an inheritance tax is the income generated for both the Central and State governments. Inheritance taxes provide cash for the government, which it may then utilize to support different socio-economic objectives. Governments may also grant income tax benefits by imposing an inheritance tax. This relieves part of the tax burden on employees while avoiding the need for the government to slash expenditure or services.

2. **Lessen fiscal burden:** If properly implemented, it has the ability to assist the government exchequer at a time when it is looking for new sources of money to close the gap between budgetary objectives and achievements. Farm loan waivers, bank recapitalization, universal health insurance, and the growth of other social sector programmes are all recent initiatives that will make budgetary discipline difficult to sustain.

3. **Progressive nature:** Inheritance tax is a tax that is levied in a progressive manner. This implies that it only imposes a larger tax burden on the rich. As a result, it aids the government

in redistribution of income in an economy, so minimising economic disparities.

VII. Disadvantages of Inheritance Tax

1. **Difficult to assess:** Obtaining an exact and justifiable tax value is difficult. To acquire a comprehensive asset appraisal, you'll need the right data, research, and market knowledge. When compared to other tax streams, the expenses of implementing inheritance tax will be greater. This is due to the fact that the government spends a lot of money on property appraisal and tax collection.
2. **Affects businesses adversely:** Businesses that are losing money may be forced to shut due to the weight of inheritance tax and their inability to pay. It will also put further pressure on enterprises that aren't as lucrative as others, such as small businesses.
3. **Reduces accessible capital:** Even if a firm survives the inheritance tax, the sum owing will drastically restrict the amount of liquid cash available to the heirs. Because of the tax responsibilities, this might put the firm into bankruptcy or drive it out of existence over time. In other situations, it might even be argued that part of the money being taxed has already been taxed in another way, resulting in a scenario where the government benefits exclusively.
4. **Economic Impact:** An inheritance tax's propensity to discourage saving and boost consumption is one of its possible drawbacks. As a result of the increased tax rate, taxpayers may spend more and save less. This will result in inflation, which will be tough to regulate. Furthermore, no one would want to invest in assets and investments that stifle economic progress.
5. **Double taxation:** Inheritance taxes are often criticised for being a double tax. This is because a large portion of the inherited property or money has already been taxed as earned income. It may look unjust to impose a second tax on the same property, particularly in the case of estates with little or no investment income.
6. **Flaw:** Inheritance taxes may motivate people to look for loopholes in order to decrease or eliminate their tax liability. Gifting property in tiny quantities over time or establishing joint ownership of property and bank accounts with family members are examples of loopholes. These loopholes may cause a revenue gap between planned and actual income for governments that rely on inheritance tax for revenue, adding to a budget deficit.

VIII. Conclusion and Suggestions

Despite several arguments, major economies throughout the globe have imposed inheritance taxes in their respective countries. The greatest inheritance rate is 55 percent in Japan, followed by 50 percent in South Korea, 45 percent in France, and 40 percent in the United Kingdom and the United States. The benefits of Inheritance Tax or Estate Duty are many. The reasoning being that it would assist to minimise the growing wealth and income imbalance between the affluent and the poor. The administration believes that restoring the tax would raise tax collections while also improving tax transparency. However, before the government considers restoring the tax, there are a number of issues and objections that must be considered and addressed to guarantee that the implementation is not hampered. They should also bear in mind the many issues that led to the repeal of a comparable tax system in 1985, and make certain that similar issues do not arise again when designing a new tax regime. The government should analyse its resources and capabilities to deal with any challenges or eventualities that may develop in the future when the tax is implemented.

If the government intends to introduce such a complex piece of legislation as the Inheritance Tax, they should be aware of all potential issues and problems, be prepared with a fool-proof plan to address these issues and problems, and try to implement the tax in such a way that these issues do not arise. Inheritance tax monitoring and collection may be improved significantly with the use of deep data analysis techniques and real-time financial transaction linkage. Inheritance tax is a tool for promoting wealth redistribution and preventing wealth concentration in the hands of a few. However, due to the country's many socioeconomic challenges and the absence of solid figures to substantiate assertions of inheritance tax, the adoption of such a tax in India is presently impractical but not impossible. Inheritance tax is an area with significant potential for wealth redistribution and closing the wealth gap between wealthy and poor. Given India's expanding inequality, the necessity for an inheritance tax is not far off. In this scenario, a lot relies on how the tax is structured, the rate at which it is charged, the types of exemptions provided, and so on, in order to accomplish the desired aims. In such a case, thorough consideration of the tax's implementation would be critical. The administration should not rush to reintroduce such far-reaching legislation, and should make a decision only after careful examination of all aspects.

Estate Duty was a broad concept that we executed incorrectly and at the wrong time. Regardless, it seems that the moment has come to adopt the concept of an inheritance tax. We have seen an information and communication technology revolution in governance over the last couple decades. Almost every state now has digitised land records. The digitalization of stock/equity transactions is complete. Many restrictions on cash transactions have been put in place. Banking and financial services are far more visible, trackable, and regulated than other industries.

Officials' and authorities' arbitrary powers have been greatly limited, which has decreased corruption and favouritism to some degree. Overall, technological and legislative improvements have improved the ability of the government to control, monitor, and collect taxes. As a result, the government is now in a better position than it has ever been to impose such a tax.

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