

PRESS RELEASE

Tax inheritances more evenly and strengthen private wealth accumulation

- Wealth inequality in Germany is high compared to other European countries, but has remained stable since 2010.
- The GCEE proposes the introduction of a state-subsidised long-term investment account that would contribute to retirement provision and strengthen wealth accumulation, also for low-income households.
- A reform of the inheritance tax should reduce the preferential tax treatment for business assets and thus ensure more uniform taxation of all types of assets. A generous tax deferral could mitigate excessive liquidity burden on businesses at the time of transfer.

Berlin, 12.11.2025 – The inheritance and gift tax should be reformed to ensure more uniform taxation of all types of assets. The preferential tax treatment for business assets should be significantly reduced. In order to strengthen private wealth accumulation, a state-subsidised long-term investment account should be introduced. This would enable larger parts of the population to build up wealth through greater participation in the capital market.

Reform of inheritance and gift tax

Different types of assets are taxed unevenly in the case of inheritance and gifts. Business assets in particular enjoy a significant preferential tax treatment. “The exemption rules for business assets mean that very large inheritances and gifts are often taxed at a comparatively low rate,” explains Achim Truger, council member. “A reform is needed that restricts the current exemption rules and aligns the inheritance and gift tax more closely with the ability-to-pay principle.” In order to achieve more uniform taxation, the exemption allowance for business assets below 26 million euro (“Verschonungsabschlag”) should be significantly reduced. For business assets above 26 million euro, the need-based exemption test (“Verschonungsbedarfsprüfung”) should be abolished or at least significantly restricted. In order to avoid excessive liquidity burdens on the companies being transferred as a result of taxation, generous deferral options should be introduced.

Taxes on asset transfers are reduced by personal allowances. Instead of the existing allowances, which can be claimed every 10 years, a lifetime allowance could be introduced for all cumulative transfers of assets throughout a person's life. This would mean that the tax burden would depend solely on the amount of transferred assets and no longer on the timing of the transfer. This reduces the scope for tax planning and aligns taxation more closely with actual ability to pay.

Strengthening private wealth accumulation

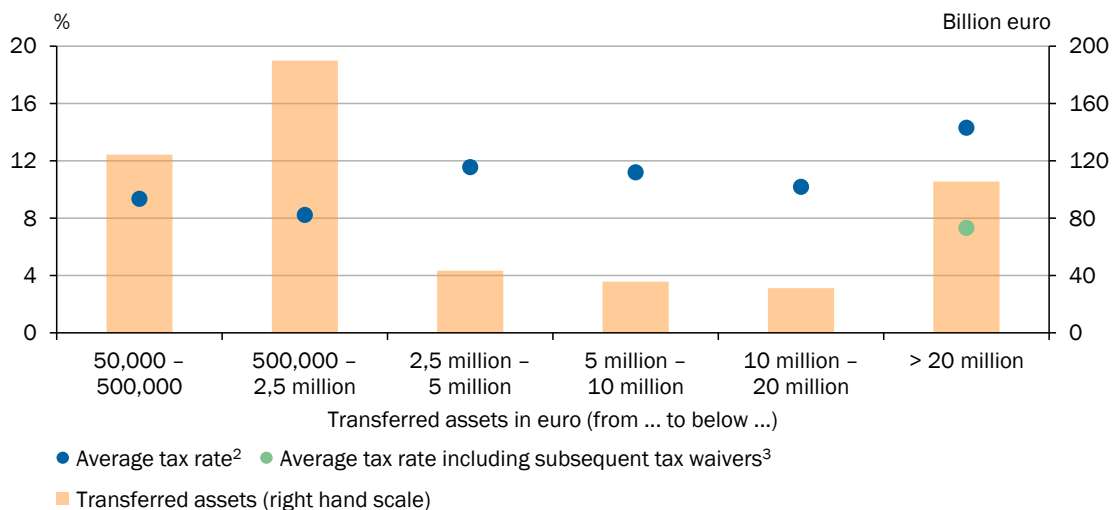
Wealth inequality in Germany is high compared to other European countries. It rose between 1993 and 2008 and has remained constant since the 2010s. The composition of wealth varies along the wealth distribution. As a result, it grows at different rates: households with low

wealth predominantly hold types of assets with low returns, such as savings deposits and life insurance policies. Wealthier households predominantly own real estate and listed and unlisted business assets, thereby achieving higher returns.

The accumulation of wealth by private households can be strengthened through greater participation in the capital market and improved government programmes for wealth accumulation. The GCEE proposes a new state-subsidised long-term investment account that serves both private retirement provision and general wealth accumulation. In order to better reach low-income households in particular, participation should be made binding – ideally through the automatic inclusion of all people in the labour force. Key elements of the long-term investment account should be high-yield funds, a simple default product and flexible payout options. In order to ensure a limited selection of high-quality, low-cost products, the funds should be selected by an independent fund selection agency. Following the Swedish model, private funds should compete with a state-managed default product. This default product should follow a life cycle model that allows for higher equity allocations at a young age and gradually reduces risk with increasing age. The long-term investment account should be linked to the planned early-start retirement account (“Frühstartrente”), thereby strengthening the continuity of wealth accumulation over the entire life cycle.

Existing government subsidies to private wealth accumulation are fragmented and complex, making participation unnecessarily difficult and disadvantaging low-income households. In order to become more systematic, targeted and administratively simpler, these programmes should be merged into the support of the new long-term investment account.

Taxation of inheritances and gifts in the period from 2020 to 2024¹



1 – Reading aid: The dots indicate the effective average tax rate paid on inheritances and gifts in the respective size categories in the years 2020 to 2024. The bars show the total amounts transferred in this period in the form of inheritances and gifts in the respective size categories. 2 – Calculated as the actual tax assessed divided by the value of acquisitions before deduction. 3 – Calculated as the tax actually assessed minus subsequent tax waivers divided by the value of acquisitions before deduction.

The German Council of Economic Experts (GCEE) provides support to policymakers and the general public on questions and matters of economic policy. It was founded as an independent body in 1963 and currently consists of the council members: Professor Dr. Veronika Grimm, Prof. Dr. mult. Dr. h.c. Ulrike Malmendier, Professor Dr. Dr. h.c. Monika Schnitzer (chair), Professor Dr. Achim Truger, Professor Dr. Martin Werding. By publishing regular reports, the GCEE aims to help the general public and decision-makers in politics, business and society to form a reasoned opinion on economic policy developments in Germany.

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