

A QUICK HISTORY OF DEATH TAXES

“Nothing is certain but death and taxes” and at the History of Tax talk on 8 October, Peter Allen (Assistant Professor of Accounting and Taxation at Nottingham University Business School) deftly combined the two in a fascinating session.

We are all familiar with Inheritance Tax, and some remember its predecessor, Capital Transfer Tax, but Peter took us right back to 10AD to the earliest known death tax. This was the Lex Julia de Vicesima Hereditatum (a twentieth of inheritance law imposed by a member of Julius Caesar’s family) which was initially imposed by the Emperor Augustus to provide retirement bonuses for retired soldiers.

The tax was in force until sometime before the fall of the Roman Empire, and the next recorded death tax came in at the time of the Norman Conquest. At this time the basis of inheritance law was the common law - something which continued to 1925 - and tax on land estates was levied by means of “feudal relief”, which was enshrined in Magna Carta.

Peter then gave us a whistle stop tour of some twelve further taxes on death that existed between 1215 and 1974, when Capital Transfer Tax was introduced, although Capital Transfer Tax was not levied on transfers on death until the following year.

After feudal relief, the next tax on death was Probate Duty, introduced in 1694 to help fund the war with France (as is so often the case in the history of taxes). This was followed variously by inventory duty, administration duty, legacy duty, succession duty, estate duty and so on up until 1974. These early taxes were a combination of estate duties which were paid on the value of an estate at death and were stamp duties, and inheritance duties which were paid by a beneficiary on an inheritance. Confusingly modern inheritance tax is correctly an estate duty.

Peter’s review of the duties in force during a period of over 250 years illustrated the development of some of the features of modern inheritance tax, including exemption for spouses (a partial exemption being introduced in 1972 into the “new “estate duty in force since 1894), and gifts with reservation (introduced in Account Duty in 1881). Peter finished by reminding us that Capital Transfer Tax was renamed Inheritance Tax in 1985.

The next History of Tax event is on 25 February 2020 and will cover various landmark cases on revenue law.