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Inheritances in Austria: A model estimation of intergenerational wealth transfers up to 2050

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Grünberger, K., Derndorfer, J., Schnetzer, M.

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Abstract

Since the end of inheritance and gift tax in 2008, there has been hardly any data on the distribution and volume of inheritances in Austria. Voluntary household surveys capture past inheritances, but there is a lack of current values as well as forecasts on the future development of inheritances. Using data from the Household Finance and Consumption Survey (HFCS) and the microsimulation model INTAXMOD, this paper estimates the annual inherited wealth and the potential tax revenue up to 2050. The results show (a) a doubling of the annual inheritance volume between 2025 and 2050 from approximately \in 21 to 41 billion, (b) a strong concentration in the upper percentile of the inheritance distribution, and (c) potential tax revenues of over \in 1 billion per year from inheritance taxes with tax exemption of \in 1 million.

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Executive summary

Policy context

The distribution of wealth and the role inheritances play in that distribution are topics of considerable economic and social importance, particularly in countries like Austria, where wealth inequality is notably high. Austria's wealth distribution is among the most unequal in the Eurozone, with the top 5% of the population holding about 53% of total wealth and the top 1% controlling nearly 40%. Such disparities have significant implications for societal well-being and for the prospects of upward mobility for future generations.

The concentration of wealth through inheritances has been a subject of debate and research, especially in light of findings that a substantial portion of Europe's wealth—between 50 and 60%—is inherited. This high level of inherited wealth suggests that current wealth stocks are significantly influenced by wealth transfers from previous generations, a trend that appears likely to continue, if not increase, with the anticipated wealth transfer from the aging baby boomer generation.

The role of inheritances in wealth accumulation raises questions about the meritocratic nature of societies. While some research suggests that inheritances can have a levelling effect on wealth distribution, particularly at the lower end of the spectrum, others argue that inheritances exacerbate wealth disparities, especially when comparing individuals with similar lifetime earnings.

Policy responses to the challenges posed by unequal wealth distribution often centre on taxes on inheritances and gifts. These taxes are implemented in most OECD countries and are generally viewed as an efficient means of taxation, having lower administrative and efficiency costs compared to other methods of taxing the wealthy. However, Austria currently stands out for its lack of an inheritance tax, a situation that has persisted since 2008, following a court ruling that identified legal issues with the existing tax framework.

Given the potential of inheritances to shape wealth distribution in the coming years, it is critical to explore the future landscape of wealth transfers and the possible implications of reintroducing inheritance taxation in Austria. This article aims to project the annual volume of inheritances up to 2050 and assess the potential revenue that could be generated by different tax rates, thereby informing the debate on economic policies that could address the challenges posed by wealth inequality and intergenerational wealth transfers.

Main Results

Using data from the Household Finance and Consumption Survey (HFCS) and the INTAXMOD microsimulation model, this study estimates the future volume of inheritances and potential tax revenues in Austria up to 2050. The key findings are:

Doubling of Inheritance Volume: The annual volume of inheritances is projected to double from approximately \in 21 billion in 2025 to \in 41 billion by 2050. This is due in part to demographic changes, as particularly high-birth cohorts reach the end of their lives. On the other hand, the cohorts bequeathing their wealth during this period are also relatively wealthy. The increase in inheritance tax revenue is therefore explained by both an increase in the number of inheritance cases and by higher average inheritances.

Concentration of Wealth: Inheritances are highly concentrated in the upper percentile of the distribution, indicating that the wealthiest segments of the population will continue to receive the largest transfers.

Potential Tax Revenues: Depending on the tax scenarios, simulations show that annual tax revenues between €900 million and €1.8 billion can be expected in the year 2025 if inheritance taxes were reintroduced – even with the usual magnitudes of avoidance effects found in the literature. If inheritance taxes were reintroduced with an exemption threshold of €1 million, only 0.2% of heirs would be affected. Even with a €500,000 exemption, less than 1% of heirs would be affected, yet substantial revenues could be generated. By 2050, the expected annual tax revenues would increase to amounts between €1.8 billion and €2.9 billion, depending on the tax scenario.

The estimates of future inheritance volumes and inheritance tax revenues are based on conservative assumptions regarding the wealth accumulation of individuals throughout their lifetimes. Therefore, the projections presented in this paper should be considered a lower bound.

1 Introduction

The distribution of private household wealth in Austria is significantly more unequal than in almost all other Eurozone countries. According to newly published data from the "Distributional Wealth Accounts" of the European Central Bank (ECB), in 2023 the only place where wealth was more concentrated than in Austria was Latvia (ECB 2024). The top 5% of the population in Austria owns about 53% of total wealth, while other studies have estimated that the share of the wealthiest 1% of the population amounts to almost 40% of total wealth (Heck et al. 2020; Disslbacher et al. 2020). A strong concentration of wealth not only affects the economic, social, and ecological living conditions of our current society but also impacts future generations. This is because intergenerational wealth transfers limit the possibilities for social mobility and perpetuate distributional imbalances across generations (Clark/Cummins 2015; Corak 2013).

Quantifying the significance of wealth transfers is the subject of a long-standing academic debate, especially in the USA (Kotlikoff 1988; Modigliani 1988). Research in this area attempts to measure the share of wealth transferred in the past as a portion of the current wealth stock. In a recent study of the total wealth in Europe, the share that had been inherited was estimated to be between 50 and 60% (Alvaredo et al. 2017). Indeed, according to these calculations, the proportion of transferred wealth at the beginning of the 20th century was well over 70%. In the near future, the contribution of wealth transfers could rise again, as demographic forecasts anticipate the passing of the baby boomer generation in the coming decades.

Meritocratically shaped societies are challenged by the benefits tied to wealth accumulation via intergenerational transfers. If a person's position in the income and wealth distribution depends heavily on their family background rather than personal effort, the prevailing legitimization narratives for social orders may come under pressure. There is no consensus in the literature on whether wealth transfers have an exacerbating or mitigating effect on wealth distribution. Some papers find a levelling effect due to the greater relative importance of inheritances at the lower end of the distribution (Adermon et al. 2018; Elinder et al. 2018), while others view inheritances as a crucial source of wealth differences among people with equal life cycle incomes (De Nardi/Yang 2014). However, this levelling effect is only reflected in relative distribution measures, whereas absolute wealth differences increase through inheritances. Behavioural adjustments following the receipt of inheritances, especially increased consumption in the lower distribution range, further reduce the levelling effect (Elinder et al. 2018). In Austria, receiving an inheritance on average, lead to a 17-percentile rise in wealth distribution. To achieve the same increase through income alone, a household would have to climb an average of more than 50 percentiles in the income distribution (Fessler/Schürz 2018). Hence, inheritances play a much more significant role in wealth formation than income.

Taxes on inheritances and gifts are the most common economic policy instruments to limit the potential impacts of unequal intergenerational transfers on wealth accumulation. In the political debate, additional government revenue from inheritance taxes is often cited as a tool that can help address the financial challenges facing the welfare state in light of demographic changes. These interventions typically apply to the estates of the deceased as well as to inter vivos transfers of wealth. 24 of the 36 OECD countries levy such taxes, with a general distinction made between a common inheritance tax on the estate after distribution among beneficiaries and a less common estate tax before distribution. An estate tax is implemented in only four OECD countries, namely Denmark, South Korea, the United Kingdom, and the USA (OECD 2021). In general, inheritance taxes are seen as an efficient form of taxation – with lower administrative and efficiency costs than other forms of taxing the wealthy (OECD 2021). An overview of the economic efficiency of an inheritance tax in terms of administrative costs, decedents, heirs, and businesses is provided by Bernhofer et al. (2024). In Austria, no inheritance or gift tax has been collected since 2008 after the Constitutional Court identified serious flaws in the then existing legal situation that the government did not correct.

This article is dedicated to the question of how inheritances will evolve over the coming years and what revenue potential could be realized if taxation were reintroduced in Austria. Based on wealth data from the Household Finance and Consumption Survey (HFCS) of the Austrian Central Bank (OeNB), we model the annual volume of inheritances up to 2050 and calculate the revenue potential for different tax rates.

2 Data and methodology

This chapter outlines how the future volume of inheritances is estimated based on existing wealth data for Austria. The starting point for these considerations is the demographic change, which is expected to lead to a significant increase in the annual volume of inheritances in the coming decades. Figure 1 shows a comparison of the population pyramids for the years 2025 and 2050. There is a clear increase in the older age groups. In this context, Statistics Austria predicts a strong rise in the number of annual deaths from around 85,000 at the end of the 2020s to over 110,000 in the 2050s. In a few decades, therefore, over 20,000 more people will die each year than today. Even though these forecasts are made on the basis of certain assumptions and are associated with statistical uncertainties, they do indicate a rising number of intergenerational wealth transfers.





Population in 1,000

Source: Statistics Austria

Next, we briefly outline our estimation approach. In the following subchapters the individual steps are described in more detail. The basis of this study is the survey data from the Household Finance and Consumption Survey (HFCS) from 2017, which we adjust for the underrepresentation of wealthy households. This data adjustment is made under the assumption that the distribution of private household wealth at the top can be approximated by a Pareto distribution. Finally, the adapted wealth data and selected household characteristics are fed into the inheritance tax model INTAXMOD, which estimates annual wealth transfers based on demographic forecasts. The predicted intergenerational wealth transfers are subsequently used to calculate tax revenues from different tax rates.

2.1 Household Finance and Consumption Survey (HFCS)

Since 2010, the Austrian Central Bank (OeNB) has been collecting data on the household balance sheets of private households in Austria as part of the Europe-wide Household Finance and Consumption Survey (HFCS).¹ The primary goal of the survey is the early assessment of risks regarding macroeconomic shocks on the financial stability of private households. The survey data has also enabled, for the first time, a more precise analysis of wealth and indebtedness in Austria. While the HFCS provides high-quality data on the assets of wide swathes of the population, households at the upper end of the distribution are strongly underrepresented. This is partly due to the low probability of including very wealthy households in the small sample size of the survey. Additionally, the wealthiest are less likely to participate in the voluntary survey and disclose information about their assets. Since a large portion of the total wealth in Austria is concentrated at the upper end of the

¹ At the time of the empirical work on this paper, the 2017 HFCS survey wave was the most recent data set available. The HFCS 2021 was published in the autumn of 2023; however, the collection phase coincided with the COVID-19 pandemic, resulting in a response rate of 39% (compared to 50% in 2017) that might render results less representative.

distribution, the absence of the richest from the survey is particularly significant. Therefore, in 17 of the 22 participating countries, the HFCS performs what is known as "oversampling". This means that a disproportionate number of households that are presumed to be wealthier based on tax data or prestigious residential addresses are included in the gross sample. This method can reduce the information gap about the wealthiest in many countries. Despite repeated criticism from the academic community, Austria largely foregoes this tool (the reason given by the OeNB is the lack of necessary additional information) and only in Vienna is a regional oversampling of such households applied (Albacete et al. 2019).

In the absence of prior oversampling, the data must be adapted ex post for the missing upper tail of the distribution. This requires an estimation of the wealthiest households. The basis for this is the finding from current empirical research that the upper end of the wealth distribution follows a Pareto distribution (e.g., Bach et al. 2019; Eckerstorfer et al. 2016; Vermeulen 2016 and 2018). Although a recently published working paper argues that the peak of the wealth distribution more closely resembles a Weibull distribution than a Pareto distribution and that the latter tends to underestimate outliers at the top (Teulings/Toussaint 2023), empirical work shows that the Pareto distribution is a valid approximation for the peak of a variety of different distributions (Gabaix 2016). A Pareto distribution is essentially based on two parameters: a threshold value k, from which the empirical observations are Pareto-distributed, and a shape parameter α , which describes the skewness of the distribution. Both parameters are estimated from the existing data, and their guality improves with the completeness of the information. For this reason, the HFCS is first enriched with observations from the trend list of the 100 richest individuals and families in Austria. This process provides additional information about the top to estimate the two parameters of the Pareto distribution, but carries inherent uncertainty because even rich lists prepared by journalists are based merely on estimates. It is assumed that the composition of different asset types (real estate, financial assets, and business assets) among the 100 richest households on the trend list and the wealthiest observations in the HFCS survey (those of the wealthiest percentile) are identical. The composition of asset types is relevant in that certain tax scenarios, which are simulated below, treat different asset types differently for tax purposes. The parameters of the Pareto distribution used here to estimate the upper edge of the distribution are taken from the study by Disslbacher et al. (2020).

With the Pareto estimation and the adjustment for the missing wealthy in the survey data, the aggregated wealth increases significantly. Nevertheless, even after the Pareto estimation, the aggregated values are still below the quantities calculated in the national accounts. One explanation for this could be the non-coverage of households (*unit non-response*), another the under-reporting of individual assets (*item non-response*) among the participating households. To adjust the data for this gap in the aggregated wealth values, financial and business assets, as well as debt from the HFCS, are proportionally adjusted to reflect the macroeconomic financial accounts (Eurostat 2023a).² Having done so, the total wealth of the adjusted data finally corresponds to aggregates of the national accounts, without changing the distribution between households.

Some further adjustments made after applying the Pareto distribution are aimed at estimating the volume of inheritances as precisely as possible. For one, real estate prices have risen sharply since the survey year of the HFCS-2017 data used here: the house price index (HPI) increased by 50% between 2017 and 2022 (Eurostat 2023b). For this reason, the values for residential properties in the wealth data were increased by this factor. The heterogeneity in real estate value development, such as by degree of urbanization, could not be taken into account as though the HPI is reported at the state level, the place of residence of the households in the HFCS is not known. Additionally, for the tax simulations the possible impact of tax evasion and a reduced tax base are taken into consideration. Discussing the international evidence of this paper. By way of example, a recent study documents that the richest 0.01% in Scandinavia circumvent around 25% of their tax contribution through offshore assets but cautions against generalizing their results to other countries (Alstadsæter et al. 2019). We take the values for avoidance effects from a study by Bach/Beznoska (2012) on wealth taxes in Germany, as it offers the advantage of a breakdown by asset components. In our calculations, the taxed wealth is reduced by 13% for business assets, by 20% for real estate, by 24% for financial assets, and by 100% for other assets.

2.2 The Inheritance Tax Simulation Model (INTAXMOD)

INTAXMOD is a microsimulation model that was developed by the Joint Research Centre (JRC) of the European Commission in collaboration with the Austrian Institute of Economic Research (WIFO). The model applied here essentially corresponds to that described in Krenek et al. (2022). For five pilot countries (Germany, Finland, France, Ireland, and Italy), Krenek et al. (2022) simulated the revenue from various inheritance tax models based on demographic and wealth forecasts. For this article, the microsimulation model was applied to Austria. While the original application's forecast period was 2020 to 2050, when applying it to Austria the base year was updated to 2022. Furthermore, the assumptions concerning future wealth

² Financial and business assets were increased by 16%. This adjustment of assets was conducted in a manner analogous to the study by Krenek et al. (2022), where only the financial assets of households from Eurostat data were considered. At the time of the data request from Eurostat, only data up to the year 2021 were available for Austria. The aggregated financial assets of households for the year 2022 were estimated based on the change in assets between 2021 and 2022 in EU countries with available data.

development differ from those in Krenek et al. (2022); these assumptions will be discussed in more detail later in this chapter. The model is based on the adjusted HFCS microdata described above and distinguishes five types of assets: property used as the main residence by the deceased, other property, financial assets, business assets, and liabilities.

First, we simulate demographic change to forecast intergenerational wealth transfers. For this purpose, each person is assigned a mortality probability according to their age and gender based on estimates by Eurostat (Eurostat 2023c). The individuals in the sample age with each projection year, and the probability of death increases with age. The demographics of the ageing sample are continuously aligned with Eurostat's population forecasts (Eurostat 2023d) by adjusting the statistical weights. This also takes into account the changing demographic structure of Austria. Since the HFCS microdata are based on the year 2017 and the base year for the present analysis is 2022, in addition to revaluating the assets, the statistical weights were adjusted to the population statistics of the year 2022.

Forecasting wealth development in the ageing sample is highly complex. A realistic simulation of wealth accumulation requires assumptions about the development of individual asset components, income dynamics, and changes in consumption and saving behaviour. Although there are empirical studies on the returns of different assets (Jordà et al. 2019) and at different positions of the wealth distribution (Fagereng et al. 2020), extrapolating historical values linearly is associated with high uncertainty. To illustrate the effects of such an assumption: an average annual increase in wealth of 2% would mean that wealth would double in just 35 years. Accordingly, the simulation results for the inheritance volume would increase dramatically under this assumption. Moreover, it is not empirically clear whether wealth decreases through "dissaving" in older age or continues to accumulate (Feiveson/Sabelhaus 2019). Given the complexity of projecting wealth over the life cycle, we refrain from making any assumptions and keep wealth constant throughout the entire forecast period. This decision leads to conservative results and likely represents a lower bound of the estimated values. We prefer this approach to assumptions about the future development of various assets, as well as saving and consumption rates, which are highly uncertain. Additionally, neither inflation dynamics nor the effects of fiscal drag (since the projections exclude inflation development, there is no adjustment of the tax parameters to the price level) are considered in the model. Both the volume of wealth transfers and the revenue from an inheritance tax are thus presented in terms of 2022 prices.

In addition to forecasting the volume of inheritances, additional assumptions must be made for the tax calculations. Although wealth is collected at the household level in the HFCS, wealth transfers are effected by the death of individual persons within these households. Accordingly, household wealth is divided among persons living in the household and passed on after their simulated death. First, it is assumed that the entire household wealth is evenly distributed between the head of the household and their partner. Second, there is no information regarding testamentary dispositions in the survey data, so it is assumed that the estate is divided according to the legal order of succession. In Austria, this means that if there are children, the spouse is entitled to one third of the inheritance and two thirds are divided equally among the children. If the deceased had no children, their spouse inherits their entire wealth. For single individuals without children, INTAXMOD assumes that the wealth is bequeathed to two persons who are not in a direct familial relationship with the deceased.

Older individuals (and those with a correspondingly higher probability of death) rarely live in the same household as their children. The HFCS does not collect information about the number of children (and therefore potential heirs) of the respondents if they live in a different household. With a progressive tax rate – and especially with allowances – the overall tax revenue generally decreases with the number of heirs. The greater the number of heirs, the larger the portion of the inherited wealth that benefits from an allowance or is taxed at a lower rate in a progressive tax regime. Therefore, it is important to represent the number of children as accurately as possible. In our model estimation, the number of children is assigned to the deceased based on historical birth distribution by year of birth and educational level. Data from the Cohort Fertility and Education Database (Zeman et al. 2017) are used for this purpose. Since data are not available for Austria, those for Germany are used. The number of children ranges from zero to eight. Unlike a blanket assumption of, for example, two heirs per case of inheritance (Humer 2014), the model takes into account the distribution of children per deceased and thus allows for greater variance among heirs. This makes a significant difference in tax scenarios with allowances, as the variance of heirs per case of inheritance influences the variance of the inheritance tax to be paid.

Due to the design of the INTAXMOD model and the assumptions made, the projected inheritance volume and tax revenue should be interpreted with caution. While wealth is held constant in the model over the forecast period, in reality wealth is likely to increase over a life cycle. This implies that our estimate of volume and tax revenue is conservative, whereas other difficult-to-estimate parameters – such as the depletion of wealth due to the rising cost of private care or the true extent of tax avoidance – could lead to the opposite outcome.

2.3 Tax scenarios

To simulate tax revenue from an inheritance tax, several rates are estimated. Inheritance taxes generally also include gifts made during a person's lifetime ("in vivo transfers") in order to prevent tax avoidance through early asset transfers. However, this study cannot consider gifts separately, and the simulation allows for asset transfers only at the predicted end of life. Since taxation includes both inheritances and gifts, the imprecision mainly lies in the timing of the transfer, which could lead to intertemporal shifts in the volume of inheritances and in tax revenue.

Table 1 shows the tax rates applied, with their respective tax brackets and marginal tax rates. The tax revenue is estimated with INTAXMOD for five different tax models. The models differ with regard to allowances (i.e., the amount which is not subject to inheritance tax) as well as whether a proportional or progressive tax rate is applied. Finally, in some models certain asset components are exempt from tax. The chosen rates are based on key figures from the economic policy discussion or from previous research to ensure better comparability of the results.

In models I and III, all inheritances under half a million euros are exempt from taxation. In models II and IV, on the other hand, the tax-free allowance amounts to one million euros. In models I and II, inheritances are taxed at a proportional rate, while models III to V impose higher taxes on larger inheritances. In models IV and V, asset-specific tax exemptions are additionally simulated. In both models, business assets are exempt from inheritance tax by 85%, as is the case in the current regulation in Germany. The main argument for tax relief on business assets is that an inheritance tax can lead to liquidity problems and bankruptcies for companies (Bräutigam et al. 2017). Additionally, in both models, an exemption from taxation is assumed for primary residences (as in Germany). Thus, heirs do not have to pay inheritance tax for an inherited property, provided they use it themselves as their primary residence.³

Model	Tax bracket (€X or more)	Marginal tax rate	Asset-specific tax exemption
Model I (proportional, TA 500K)	€500,000	15%	None
Model II (proportional, TA 1M)	€1,000,000	25%	None
Model III (progressive, TA 500K)	€500,000	15%	None
	€1,000,000	25%	
Model IV (progressive, TA 1M)	€1,000,000	25%	Business assets: -85%
	€5,000,000	30%	Main residence: -100%
	€10,000,000	35%	
	€50,000,000	50%	
Model V (German model)	€0 7% €75,000 11%	7% 11% 15% 19% 23% 27% 30%	Business assets: -85%
	€300,000		Main residence: -1009
	€6,000,000 €13,000,000		
	€26,000,000		

Table 1: Tax scenarios for the simulation in INTAXMOD

Notes: TA = tax-free allowance. Model V ("German model") simulates – in addition to the full tax exemption for the primary residence and the 85% exemption for the business assets – the following tax allowances: \leq 500,000 for spouses, \leq 400,000 for children, and \leq 20,000 for others. Moreover, higher tax rates apply for non-related heirs: 15% up to \leq 75,000; 20% up to \leq 300,000; 25% up to \leq 600,000; 30% up to \in 6,000,000; 35% up to \in 13,000,000; 40% up to \in 26,000,000; 43% above \in 26,000,000.

It should be noted that some tax models presented in the political debate come with specific regulations that cannot be accounted for in the simulations conducted here. For example, a model proposed by the SPÖ (Social Democratic Party of

³ As we do not have information on the potential use of the properties by the heirs, INTAXMOD assumes that the properties that were used as the main residence by the deceased during their lifetime will also be used as the main residence by the heirs.

Austria) envisages exemption rules for agricultural and forestry businesses up to a size of 150 hectares (completely tax-free) or for business transfers, provided the business is continued with the same employees for at least five years (85% tax-free). Other specific features, such as a lifetime allowance, i.e., the exemption from taxation of inheritances accumulated over a period of 30 years up to a certain allowance limit, cannot be simulated here either. The omission of these specific exemption rules in some political proposals means that the revenue estimate in our model is slightly overstated or exhibits a counter-tendency to the conservative assumptions regarding asset development.

Particular focus is placed on the role of private foundations. Since their legal basis in 1993, the number of private foundations in Austria has increased to around 3,000. Some proposals for inheritance tax also include exchanging the currently levied foundation entry tax of 2.5% for a 30-year stretched inheritance tax equivalent for foundations (Bernhofer et al. 2024). The actual size of assets held in private foundations is unknown. Estimates vary between around €55 billion by the Austrian Central Bank (OENB) in 2014 and €70 billion by the Foundation Association in 2011. According to these values, a hypothetical inheritance tax equivalent of 1% per year (30% stretched over 30 years) would correspond to a tax revenue of approximately €550 to 700 million, assuming no behavioural changes. Nevertheless, private foundations cannot be included in our model.

3 Results of the simulation

3.1 Volume and distribution of inheritances

Using the assumptions described above, the simulation model calculates the annual inheritance volume for Austria. Figure 2 shows the development of aggregated inheritances for the period between 2025 and 2050. The volume of inheritances is set to significantly increase over the next 25 years, nearly doubling from around \in 21.5 billion to \in 40.8 billion. Compared to previous estimates of the inheritance volume by Altzinger/Humer (2013), our figures are considerably higher. For example, in the year 2040, they are about \in 13 billion above the previous calculations. The main reason for this likely lies in methodological differences and the unexpectedly strong increase in assets since the last study, thus resulting in higher initial values for the simulation. In contrast to this article, Altzinger and Humer did not adjust the data to correct for under-recording at the top of the distribution nor to ensure that it corresponds to the aggregates of the national accounts. A breakdown of our estimate of the inheritance volume according to the different data adjustments can be found in Figure 6 in the annex. Looking solely at the estimate based on HFCS data, the results of the two studies converge significantly. An additional methodological difference between the studies is that in Altzinger/Humer (2013), an inheritance case only occurs with the death of the last household member of a generation, and no division of the assets among the household members is made.



Figure 2: Evolution of the estimated inheritance volume, 2025–2050

Note: Estimates of the inheritance volume are made in five-year intervals between 2025 and 2050. Source: own calculations

It is easy to see that the distribution of inheritances is highly concentrated. These calculations consider inheritances from the perspective of the recipients, meaning after the division of the estate according to the order of succession. Figure 3 presents the average inheritance per percentile of the inheritance distribution for the years 2025 and 2050. The median inheritance in 2025 is about $\leq 20,000$ and rises to approximately $\leq 33,000$ by 2050. The mean inheritance, not depicted in the graph, is significantly higher than the median and is an indication of the skewed distribution of inheritances. It amounts to just over $\leq 83,000$ in 2025 and about $\leq 103,000$ in 2050. Particularly noteworthy is the large jump from the second-highest to the highest percentile. On average, in the top percentile, an estate of ≤ 3.4 million is transferred, while this figure rises to ≤ 4.2 million by 2050. In other words, inheritances of over ≤ 1 million flow to less than 1% of the population in 2025 and 2050.

Figure 3: Distribution of estimated inheritances in the years 2025 and 2050



Source: own calculations

3.2 Revenue and distribution of inheritance taxes

As described in the previous chapter, the concentration of inheritances at the upper end is high and changes little over the coming decades due to demographic development. Table 2 shows the results of the tax simulation in the INTAXMOD. Given the strongly right-skewed distribution and the high exemption thresholds in the simulated inheritance tax rates of half a million euros (models I and III) or one million euros (models II and IV), the proportion of heirs affected in the year 2025 is less than 1%. Model V, which is modelled after the German system with different exemption thresholds depending on the degree of kinship, has the highest proportion of affected heirs at 1.8%. Non-relatives pay inheritance tax on amounts exceeding an exemption threshold of \in 20,000. Models II and IV have the lowest proportion of affected heirs – just 0.2% – due to the high exemption threshold of one million euros. If the exemption threshold is lowered to half a million euros (models I and III), the proportion of affected heirs increases to 0.9%. In all models simulated for this study, at least 98% of heirs do not pay any inheritance tax.

On average, those individuals who receive an inheritance in 2025 will inherit about $\in 83,000$. Since very few are required to pay inheritance tax, the estimated average inheritance tax payable per inheritor ranges from $\in 4,300$ (model I) to $\in 8,900$ (model IV). The average size of those inheritances that would be subject to inheritance tax is considerably higher and amounts to $\in 1.4$ million in the "German model" (model V), in models with a personal allowance of half a million euros to $\in 3.6$ million (model II), and in models with a personal allowance of one million euros to $\in 12.6$ million (model II) or $\in 14.5$ million (model IV). Due to the different tax rates, the average amount of inheritance tax to be paid varies significantly. It is lowest in the "German model" at about $\in 360,000$ (model V). While the average inheritance affected by tax is the same in models I and III, the average inheritance tax payable in model III is significantly higher at $\in 760,000$ compared to model I at $\in 470,000$ due to the progressive structure (model I: 15% above $\in 500,000$; model III: 15% above $\in 500,000$ and 25% above $\in 1$ million). In model II, the inheritance tax payable on average amounts to $\in 2.9$ million and in model IV to $\in 5.6$ million. In both models, only the highest inheritances above one million euros are taxed, with model IV being significantly more progressive.

Table 2: Results from INTAXMOD for 2025 and 2050

	Model I (proportionate, TA	Model II (proportionality, TA	Model III (progressive, TA	Model IV (progressive, TA 1M)	Model V (German model)
	500K)	1M)	500K)		
			2025		
Affected heirs	0.9%	0.2%	0.9%	0.2%	1.8%
Average estate	€219,100	€219,100	€219,100	€219,100	€219,100
Average inheritance	€83,300	€83,300	€83,300	€83,300	€83,300
Average inheritance tax	€4,300	€6,600	€7,000	€8,900	€6,500
Average inheritance of inheritance tax payers	€3,641,400	€12,638,800	€3,641,400	€14,532,700	€1,409,100
Average inheritance tax of inheritance tax payers	€471,200	€2,909,700	€757,400	€5,612,400	€357,700
Total volume with avoidance effects	€892,000,000	€1,354,000,000	€1,433,000,000	€1,828,000,000	€1,332,000,000
Total volume without avoidance effects	€1,176,000,000	€1,752,000,000	€1,877,000,000	€2,417,000,000	€1,753,000,000
			2050		
Affected heirs	1.5%	0.5%	1.5%	0.4%	1.7%
Average estate	€259,800	€259,800	€259,800	€259,800	€259,800
Average inheritance	€103,200	€103,200	€103,200	€103,200	€103,200
Average inheritance tax	€5,600	€8,200	€8,900	€9,100	€7,300
Average inheritance of inheritance tax payers	€3,043,300	€7,160,700	€3,043,300	€8,048,700	€1,885,400
Average inheritance tax of inheritance tax payers	€381,500	€1,540,200	€605,900	€2,560,800	€438,000
Total volume with avoidance effects	€1,768,000,000	€2,599,000,000	€2,807,000,000	€2,855,000,000	€2,296,000,000
Total volume without avoidance effects	€2,336,000,000	€3,414,000,000	€3,702,000,000	€3,873,000,000	€3,087,000,000

Notes: TA = tax-free allowance.

Overall, in 2025 the proposed models here could generate tax revenues ranging from $\in 1.2$ billion (model I) to $\in 2.4$ billion (model IV). Potential avoidance effects and behavioural changes could reduce the revenue from an inheritance tax. For this scenario, we refer to the empirical estimates by Bach/Beznoska (2012), who consider elasticities between a wealth tax of 1% and the tax base for Germany. Avoidance reactions can vary between wealth and inheritance taxes and across national borders, but the main focus here is on an assessment of empirically known behavioural adjustments on the simulation results. For this purpose, real estate assets are reduced by 20%, financial assets by 24%, business assets by 13%, and other assets by 100%. Even assuming these avoidance effects, the estimates for total revenue range from $\in 900$ million (model I) to $\in 1.8$ billion (model IV).

Due to demographic dynamics, by 2050 the average inheritance increases by 24% to $\leq 103,200$ (in values fo 2022). The proportion of those who would have to pay inheritance tax under the given rates increases to 0.4% (model IV), 0.5% (model II) and 1.5% (models I and III). In model V, the proportion of affected heirs decreases slightly from 1.8% in 2025 to 1.7% by 2050. In this model, non-related heirs have to pay inheritance tax above a personal allowance of $\leq 20,000$, which is why the

proportion of affected heirs is higher than in the other models, which do not differentiate by degree of kinship. In the forecast for 2050, the proportion of non-related heirs decreases, which leads to a lower proportion of affected heirs.⁴

Since the forecast for 2050 shows more heirs are affected than in 2025 (with the exception of model V), the average taxable inheritance, and thus the average inheritance tax, is reduced. In 2050, the inheritances subject to tax amount on average to \in 1.9 million (model V), \in 3.0 million (model I and III), \in 7.2 million (model II) and \in 8.0 million (model IV). On average, affected heirs must pay between \in 380,000 (model I) and \in 2.6 million (model IV) to the tax office, depending on the model configuration.



Figure 4: Estimated tax revenue for 2025 and 2050

Source: own calculations

The total revenue from an inheritance tax without avoidance effects is estimated to be between $\in 2.3$ billion (model I) and $\in 3.9$ billion (model IV) for 2050, as shown in Figure 4. Even with potential avoidance effects, state revenues of between $\in 1.8$ billion (model I) and $\in 2.9$ billion (model IV) are expected. A comparison of the two observation points of 2025 and 2050 indicates that tax revenue, depending on the model, will increase by roughly 30% by 2030, by 80% by 2040 and by 90% by 2050.⁵ This means that tax revenue nearly doubles by 2050, which is due in part to demographic changes, as particularly high-birth cohorts reach the end of their lives. On the other hand, the cohorts bequeathing their wealth during this period are also relatively wealthy. The increase in inheritance tax revenue is therefore explained by both an increase in the number of inheritance cases and by higher average inheritances.

In Figure 6 in the annex, the estimated revenues – taking into account avoidance effects – are broken down according to the different data adjustments. It can be seen that the raw data from the HFCS would lead to a very low revenue estimate due to the under-reporting at the top of the distribution. The estimation of very wealthy households using the Pareto method contributes the most in all models, but adjustments to property values, financial assets, and business assets also have significant effects

⁴ In the simulation model, non-related heirs are only assumed for individuals living alone; otherwise, the inheritance goes to partners and children. Single individuals tend to be older, and their statistical weight decreases over the projection period, ensuring that the projection sample remains representative. For this reason, single individuals and consequently non-related heirs are less significant in 2050.

⁵ With the exception of model V, according to which the tax revenue increases by only 72% by 2050.

4 Conclusions

Almost all Western European countries levy an inheritance and gift tax. Austria has been the exception since 2008, after the Constitutional Court found the taxation of real estate to be discriminatory in 2007, and the government at the time let the deadline for the required amendment lapse. At the same time, Austria is the country that, compared to the rest of Europe, has one of the highest concentrations of private wealth that is also inheritable. Therefore, the reintroduction of an inheritance and gift tax is regularly discussed in economic policy debates as a means of reducing the intergenerational persistence of wealth inequality and of strengthening equality of opportunities. Additionally, the tax revenue estimated in this study can be used for fiscal measures to reduce the wealth gap further. Austrian tax experts consider the practical implementation and integration of an inheritance tax is often preferred over a general wealth tax due to easier administration and fewer behavioural adjustments (Bastani/Waldenström 2020). However, among the population, there is usually greater approval for wealth taxes than for inheritance taxes (Fessler et al. 2019), although the degree of support varies greatly with the specific design.

Only very few heirs will be affected by the kind of inheritance tax discussed here, due to the strongly right-skewed distribution of inheritances in combination with high allowances. In models with allowances of one million euros per heir, only the top 0.2% are affected. Even with an allowance of \in 500,000, fewer than 1% of heirs have to pay the tax. Despite the very small number of taxpayers, substantial tax revenue can be expected, even if the relative contribution to total tax revenues of around \in 127 billion in 2022 is moderate. Depending on the tax scenarios, simulations with the microsimulation model INTAXMOD show that currently annual tax revenues between \in 900 million and \in 1.8 billion can be expected – even with the usual magnitudes of avoidance effects found in the literature. Since the strong demographic change in Austria is having a significant impact on intergenerational wealth transfers, the annual volume of inheritances is expected to rise from \in 21 billion in 2025 to \in 41 billion by 2050. Accordingly, a large increase in potential tax revenues can be expected. The estimated tax revenue should be seen as a lower bound due to the conservative assumptions made in the simulation model. It can therefore be assumed that the actual tax revenue will be higher than the values simulated here. Moreover, including foundation assets in an inheritance tax would lead to a further significant increase in tax revenue.

The OECD also attributes an important role to inheritance taxes in the tax structure (OECD 2021). The institution sees good reasons for inheritance and gift taxes, provided they are well designed and implemented in a fair, efficient, and administratively feasible manner. This recommendation is particularly relevant for those countries where the taxation of capital income and wealth is only rudimentary, which is the case in Austria. In the economic policy discussion in Austria, it is regularly proposed to link inheritance tax to the additional expenditures needed for the care system, which are driven by demographics. In this scenario, the potentially growing revenues from an inheritance tax are intended to mitigate the challenges to public finances posed by the increasing cost of care for an ageing population. The Austrian Institute of Economic Research (WIFO) estimates the expenditures for care services to be \in 3.3 billion in 2025 and \in 10.6 billion in 2050 (Famira-Mühlberger 2023). With returns in the form of taxes and social security contributions amounting to around 70% of these expenditures (Famira-Mühlberger et al. 2017), a rough increase in the net costs from \in 1 billion to \in 3 billion can be expected between 2025 and 2050. These amounts roughly correspond to the estimated revenues from an inheritance tax presented here.

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List of abbreviations and definitions

ECB	European Central Bank
HFCS	Household Finance and Consumption Survey

- OECD Organisation for Economic Co-operation and Development
- OeNB Oesterreichische Nationalbank (Austrian Central Bank)

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