Inheritance Risk Management and Tax Breaks for Family Businesses

Murad Ali Ahmad Al-Zaqeba[1*]

Faculty of Economics and Muamalat (FEM), Universiti Sains Islam Malaysia (USIM). Nilai, Negeri Sembilan, Malaysia.

**Corresponding Author's Email: murad.ali@usim.edu.my*

Received Date: 15 November 2023

Accepted Date: 06 May 2024

Available Online: 18 September 2024

ABSTRACT

This paper delves into the intricate landscape of inheritance risk management within family-owned businesses, emphasizing the utilization of tax benefits as a crucial aspect of navigating these complexities. Maintaining the longevity of family enterprises across generations is imperative for preserving wealth and ensuring economic stability. However, challenges such as intricate inheritance laws and potential estate taxes can impede smooth ownership transfers within family structures. Through an exploration of various legal frameworks and inheritance planning approaches, this paper investigates strategies aimed at mitigating these challenges. Estate planning instruments, such as wills and trusts, are examined for their role in safeguarding family enterprises against discord arising from inheritance disputes. However, this paper aims to investigate the effectiveness of various inheritance planning approaches in mitigating risks within family-owned businesses, evaluate the impact of current tax breaks and incentives on long-term profitability and succession planning for family enterprises. Moreover, the methodology employed in this study centers on a comprehensive review of scholarly articles, legal documents, government reports, and industry publications. The findings underscore the significance of strategic inheritance planning and tax optimization in ensuring the longevity and prosperity of family businesses. This paper contributes to the existing body of knowledge by shedding light on the intricate dynamics of inheritance risk management and tax planning within family-owned businesses. By offering practical insights and recommendations, it aims to empower family enterprises to navigate complex challenges effectively and sustainably. Future research endeavors could focus on examining the behavioral responses of individuals and families to inheritance taxes and their implications for wealth transfer strategies, conducting comparative studies across different jurisdictions to understand variations in tax implications for gifts and inheritance, longitudinal research to monitor the effects of tax law changes on wealth transfer effectiveness and family business sustainability.

Keywords: *Inheritance risk management, Intergenerational continuity, Tax breaks, Family businesses.*

INTRODUCTION

Since businesses cannot exist without taking on risk, risk is an essential part of how they operate. Risk is usually associated with uncertainty and refers to the possibility of encountering unforeseen circumstances or dangers (Kannan and Thangavel, 2012). A clear decision to take no

action results in missed opportunities and mismanaged risks (Hillson and Murray, 2007). Traditionally, risk has always been seen negatively, associated with unfavourable events and results. However, risk is closely related to opportunities and threats that have the potential to influence a particular action or expected result in a favourable or negative way (Lowe, 2010). Reducing risk has the ability to undermine the basis of value generation, which might lead to the termination of chances (Grazino and Aggarwal, 2005; Garvan, 2007). Essentially, risks are uncertainties that are significant in the context of corporate businesses (Fadun, 2013; Lima and Seuring, 2023).

The concept of inheritance risk management is intricately linked to the broader notion of risk management within the context of family heritage and inheritance. It has evolved as a natural response to the recognition of risks associated with passing down family wealth and assets to future generations (Finkler, 2003; Rifkin et al., 2023; Shubailat et al., 2024). Medical studies have further highlighted the potential transmission of inherited risks to subsequent generations, underscoring the importance of strategic risk management in this area (Rifkin et al., 2023). Inheritance risk management holds significant importance in the realm of personal and family finances, particularly evident in the challenges individuals and families face when navigating gifts and property succession, especially concerning tax considerations (Worth, 2020). The broader concept of risk management underscores the need for careful consideration and strategic planning in the transfer of family assets and businesses to future generations (Neubauer and Lank, 2016).

In response to these complex challenges, inheritance risk management has emerged as a critical practice aimed at mitigating the risks associated with family wealth inheritance while ensuring its smooth transition to subsequent generations. It reflects a growing awareness of the need to strike a balance between protecting family wealth and effectively managing the associated risks and tax implications (Shubailat et al., 2024). Among the most significant challenges in inheritance risk management are estate and gift taxes, which can have a substantial impact on family wealth (Shubailat et al., 2024). To address these challenges and ensure effective wealth transfer at minimal tax costs, families and individuals must implement strong policies and strategies. Inheritance risk management, from a tax standpoint, encompasses a range of tactics and actions aimed at reducing the tax consequences of assets and bequests passed on to future generations. Given that governments impose property and inheritance taxes to fund public services, this sector presents a significant barrier to personal and family financial planning. Effectively managing inheritance risks requires a comprehensive understanding of the relevant tax codes and a precise assessment of assets and wealth. This involves employing various tactics, including leveraging sophisticated investment tax structures, establishing trusts, and carefully evaluating gifts. Overall, inheritance risk management is a multifaceted process that demands strategic planning and careful execution to ensure the preservation and smooth transfer of family wealth across generations.

Achieving personal financial planning and inheritance goals requires good management of inheritance risk OR Inheritance risk management, which improves possibilities for individuals and families to protect and transfer family wealth. This paper will discuss inheritance risk management techniques in further detail in this research, along with how to strike a balance between local and federal tax compliance and family wealth objectives. When it comes to the tax implications of this field, risk management on inheritance is seen as a significant concern for people and families. Preserving family wealth and efficiently transferring it to subsequent generations can be achieved by lowering the inheritance tax burden. it requires a deep understanding of the tax system and specific strategies to minimize the tax impact. This study will focus on the problem of inheritance risk management related with tax. The main problem in managing inheritance risks from a tax perspective is identifying the most effective strategies to minimize the tax impact and comply with tax laws. Individuals and families should understand the applicable inheritance and gift taxes in their state and determine which strategies best suit their personal and family situation.

LITERATURE REVIEW

In the world, there is some taxation laws regarding inheritance such as Estate Tax, Inheritance Tax, and Gift Tax. However, Estate Tax is taxes on the total value of a deceased person's estate before distributed to heirs. Inheritance Tax: tax based on the assets value of inherit; this tax exemptions and rates may differ for different classes of heirs (e.g., siblings, spouses, and children). Lastly, Gift Tax: tax on gifts that made during a person's lifetime, there are some limits and exemptions on gifts value that are taxed, with the idea that significant gifts could deplete the estate before death (Neuhäuser, 2023). Exemptions and Deductions: passing assets or amounts to close family members such as small businesses, family home, and amount of the total value of the property. Spousal and Charitable Deductions: Charitable bequests receive favourable tax treatment. Administration and Probate Costs: all the expenses or fees that related to estate administration such as administrative and legal fees (which directly deductible from estate total value). Tax Planning: creating trusts is a common strategy for managing and distributing assets in a way that minimises taxes. International Considerations: assets in multiple countries, and double taxation treaties may come into play. Lastly, Tax Changes: the tax laws updates or amendments that may affect inheritance tax.

Particularly when it comes to taxes, inheritance rules differ greatly between nations. These laws, in general, cover estate taxes, which are imposed on the entire estate worth prior to distribution and have considerably differing rates and exemptions. Furthermore, inheritance taxes are levied in certain areas on heirs in accordance with the value of inherited property, which is frequently adjusted for various heir classes. Subject to exemptions and value limitations, gift taxes which aim to avoid a significant reduction of the estate before to death may be imposed on donations made during a person's lifetime. However, prevalent exclusions and deductions include family residences, small companies, and certain components of the inheritance. These are especially

prevalent for assets bequeathed to close family members. There are also deductions for philanthropic and spousal contributions to take into account. Legal and administrative fees associated with probate and administration might be subtracted from the estate. Two common strategies to reduce the impact of taxes are tax planning and the strategic use of trusts. It's crucial for those with foreign assets to navigate the various tax regulations and avoid possible double taxation. Because tax rules are always changing, it's important to be informed about these changes, and people frequently turn to legal and tax experts for advice. In addition, with growing inequalities in recent decades, demand for fair and effective taxation has never been so high. Wealth tends to be strongly concentrated and can be transmitted from generation to generation. Progressive taxation, therefore, may serve as an appropriate counter-force against the perpetuation of inequality. For example, state taxes can lead to certain behaviours from taxpayers that might have negative consequences on the overall success of an economy at a macroeconomic level (Saez et al., 2012). Despite the importance of understanding the impact of transfer taxation on economic behaviours, empirical research related to inheritance risk management is limited due to data constraints and identification challenges. However, responses which may be harmful to the macroeconomic success of an economy and may also reduce the efficiency of taxation to curb wealth inequality.

Estate and inheritance taxes play a crucial role in wealth transfer upon an individual's passing, with calculations varying based on the decedent's state of residence. While inheritance taxes are paid by the heirs who receive the bequest, estate taxes are paid by the estate itself. To prevent evasion of these taxes through donations prior to death, gift taxes serve as a complementary measure. The imposition of inheritance taxes sparks heated debate within fiscal policy circles due to its implications for wealth distribution and societal equity. Despite the disparities in wealth distribution, resistance to inheritance taxes persists, rooted in normative arguments encompassing social justice and economic efficiency paradigms (Beckert, 2007). Within these debates, concerns regarding the potential disruption to family businesses emerge prominently (Graetz/Shapiro, 2006), necessitating a critical examination of these arguments, especially regarding their impact on family-owned enterprises. Understanding family businesses requires an operational definition that includes companies owned by individuals, whether closely related by kinship or not, who share the intent to pass down the enterprise to subsequent generations (Zellweger, 2017; von Schlippe et al., 2021). Furthermore, treating endowments similarly to bequests is essential to prevent tax evasion, underscoring the need for a comprehensive approach to taxing inheritances and endowments over an individual's lifetime (McCabe, 2019). White (2018) outlines three justifications for a progressive inheritance tax: equitable taxation, equal opportunity, and political equality, while downplaying arguments based on merit theory. However, implementing a tax structure that preserves family enterprises across generations while addressing efficiency concerns and upholding family values remains politically and philosophically challenging. Although proposals for significantly lower taxes or excluding family businesses from taxes may seem appealing, they fail to substantially enhance justice and may perpetuate disproportionate tax

burdens on family businesses. Moreover, exempting family companies from inheritance taxes may undermine merit-based qualifications and equitable opportunities for business ownership, perpetuating disparities between individuals who inherit businesses and those who start from scratch. Therefore, achieving a fair balance between inheritance taxes and preserving family businesses requires nuanced considerations that address concerns of equity, efficiency, and intergenerational wealth transfer.

Theory of Benchmark

Since both inheritance and estate taxes are typically triggered by death, they are essentially equivalent. The net worth of a dead person's property as of the time of their death determines estate taxes. On the other hand, the receivers of the property are subject to inheritance taxes. In most cases, these taxes are combined with a gift tax of some type, making it impossible to avoid them by merely transferring the property before death. Inheritance and estate taxes are bad economic decisions (Cole, 2015). The domestic capital stock, or the accumulated wealth that makes America richer and more productive overall, is nearly entirely responsible for them. Capital stock taxes impede the creation of new jobs and damage the economy.

According to Organization for Economic Cooperation and Development (OECD), the United States has the fourth-highest rate of estate or inheritance tax. According to Cole (2015) the United States has an exceptionally high-top marginal estate tax rate by global standards. In addition, Japan has the highest upper estate tax rate 55% for lineal heirs. The percentages in France (45%) and South Korea (50%) are likewise higher than those in the United States. On the low end, there are no taxes on property bequeathed to lineal heirs in fifteen of the thirty-four OECD nations. With a median tax rate of 7%, the OECD as a whole has an average estate tax rate of 15%. In an effort to increase revenue and redistribute wealth, policymakers (OECD, 2018), think tanks (Gale et al, 2020), and economists (Piketty and Saez, 2013) recently suggested raising the inheritance and gift taxes. Although the acceptability of taxes is shaped by behavioural reactions, the quantification of taxes is complicated by practical challenges such as the rarity of exogenous fluctuation in tax rates and the difficulty in locating wealth-transfer data (Kopczuk, 2013). Therefore, there is a lack of complete knowledge on the impact of inheritance and gift taxes in general.

Guo (2022) draws attention to a crucial point about the effectiveness of inheritance taxes for wealth redistribution in comparison to income taxes on the wealthiest individuals. They show that compared to taxing the earnings of the top 1% of earners, estate taxes results in a greater production loss for the economy when it comes to accomplishing wealth redistribution. This calls into doubt the efficiency of inheritance taxes in controlling inequality and redistributing wealth. However, these results call into question the assumed efficacy of inheritance taxes as a direct means of reducing wealth concentration. The study adds an insightful viewpoint to the conversation on tax laws intended to combat wealth disparity through inheritance management by illuminating the limited effect of estate taxes on the wealthiest people and their relative economic consequences.

In United Arab Emirates, family businesses may apply to the Authority under Emirati law to be recognised as corporate organisations, given that they meet specific requirements. The creation of a family foundation with a named natural person is one of these requirements, as is taking part in activities linked to managing money or obtaining investment possibilities, and being associated with assets connected to investing, saving, or other types of management. The family business receives joint venture status from the start of the applicable tax period, or as the regulatory authority decides, when the application is approved. The Authority is entitled to maintain regulatory control by requesting more information or communication within certain time limits in order to verify continued adherence to the defined criteria (UAE-Ministry of Finance, 2023).

Estate Tax

Since the estate tax was first introduced in 1916, it is has been a divisive part of the US tax system, igniting intense discussion and polarising opinions. Critics refer to it as the "death tax," highlighting their belief that it is unethical and counterproductive. Former Representative Ron Paul, for example, said that the tax unfairly affects industrious people who are trying to leave a legacy for their children (Paul, 2005). In contrast, the estate tax's supporters see it as a very progressive and successful way to tax the wealthiest few, as former Representative Bob Etheridge pointed out when he called attempts to repeal it the "Multi-millionaire Protection Act" (Etheridge, 2005). In addition, revenue estate tax has a high rate but it is raising very little revenue, numerous nations however have completely abolished estate and inheritance taxes after realising they are ineffective as sources of income (Cole, 2015). Through substantial empirical and theoretical research, the topic of risk management in inheritance particularly from a tax perspective has developed. Refined by Yang (2013) and De Nardi and Yang (2014), De Nardi (2004) makes a substantial contribution by adding an earnings process calibration based on Castaneda et al. (2003) to match the observed concentration of wealth (Cagetti and De Nardi, 2008). This paradigm also takes into account two different bequest incentives, offering a more complex explanation of the relationship between inheritance tax and parental background. The importance of the generational transfer of human and physical capital in determining household wealth has been highlighted by a number of empirical and theoretical research (Kotlikoff and Summers, 1981; Kotlikoff et al., 1999). The relevance of parental background and starting conditions in shaping lifetime inequality, labour market performance, and projected lifetime utility is highlighted by insights from Hurd and Smith (1999) and Becker and Tomes (1986). The careful examination of these factors contributes to a deeper comprehension of the complex interplay of parental history, wealth outcomes, and taxes.

Cagetti and De Nardi (2009) and Castañeda et al. (2003) focused on entrepreneurial choice and simplified life cycles with stochastic ageing, and statistically calibrated models to reflect observed wealth disparity. Various bequest incentives are taken into consideration as the literature explores the qualitative elements of estate taxes (Cremer and Pestieau, 2003; Pestieau and Sato, 2008;

Hines, 2013). The modelling of bequest incentives is further informed by empirical research examining the consequences of parental altruism, such as Altonji et al. (1997), Laitner and Juster (1996), and Kopczuk and Lupton (2007). One key requirement that becomes apparent is the necessity of creating a realistic distribution of bequests that takes heterogeneity into account. However, Burgess (2022) draws attention to how tax-driven estate planning is changing, especially in Australia. The growing wealth transfer between generations within the "baby boomer" group highlights the importance of comprehensive estate and tax preparation. The taxation environment has undergone a significant change as a result of government interventions and initiatives to guarantee beneficiaries make fair tax contributions. Clausing and Sarin (2023), in contrast, offer a tax reform design that places a strong emphasis on revenue generation, progressivity, efficiency, and adaptability to global issues. Their suggested guidelines serve as a framework for assessing changes and additions to the tax system with the goal of enhancing fiscal sustainability and reducing inequality. According to Sosner et al. (2021), income and inheritance tax planning should be integrated. They advocate for a holistic strategy that takes into account both income and estate tax efficiency by demonstrating the significant benefits of tax-efficient wealth management across generations using theoretical models and simulations.

According to the predictions made by Camarda, Lee, and Lee (2021), future tax rises may disproportionately affect the rich. Their observations inspire people to prepare for future tax law changes in order to properly protect their money. Likewise, wealth disparity and inheritance taxes are examined in depth by De Nardi and Yang (2016), who highlight the complex consequences of shifting estate tax laws. The complicated trade-offs involved in estate taxation are highlighted by the fact that, although raising estate taxes reduces the concentration of wealth among the wealthiest, the real impact on total capital and production is still very small. Furthermore, Cole (2015) emphasises the divisive character of inheritance taxes and highlights how ineffective they are at generating income or promoting equality. Concerns over the estate tax's influence on economic growth and revenue collection are sparked by its high rate and restricted base, which have sparked talks about possible reform or abolition.

Batchelder (2009) argues in favour of a comprehensive inheritance tax, addressing social concerns about the transfer of wealth between generations. However, Batchelder (2009) emphasises how tax regulations will inevitably influence how money is transferred and calls for careful deliberation when deciding whether to include inherited wealth in the tax base. Yeh and Liao (2019) present empirical data about the effects of estate tax modifications on Taiwanese family-owned businesses. They draw attention to the way that significant reductions in inheritance taxes can affect family businesses' shareholding arrangements, which in turn can affect company valuations. Likewise, Bruze and von Essen (2022) examined the inheritance reform that transferred parental inheritance rights to children, they confirm that these modifications have a major impact on parents' consumption habits, demonstrating the deep effects of inheritance laws on income distribution and family dynamics. However, these several studies highlight how complex the connections are

between inheritance, estate taxes, tax planning, and wealth distribution. They highlight the need for well-informed tax planning techniques and demand a revaluation of estate tax laws in light of their potential to further social objectives.

Inheritance Tax

Certain states impose taxes on an heir upon receiving the assets of an inheritance. Inheritance taxes are only imposed in six states: Nebraska, Iowa, Pennsylvania, Maryland, Kentucky, and New Jersey (Mike-Valles, 2022). There are inheritance and estate taxes only in Maryland. In each of the states, spouses are exempt from inheritance taxes. However, the complex effects of inheritance tax regimes on wealth distribution, societal equality, and fiscal governance have been brought to light by research into how they interact with gender, housing, national economies, and tax evasion. Moreover, Tisch and Schechtl (2023) examine the ways in which gendered parental transfer behaviour interacts with inheritance and gift tax regimes, possibly exacerbating gender wealth disparities. The study reveals gender differences in the likelihood, value, and types of transfers received through the examination of German administrative tax data. This highlights a gender tax gap and suggests that males may benefit differently from certain asset-specific tax exemptions.

The complex effects of inheritance tax regimes on wealth distribution, societal equality, and fiscal governance have been brought to light by research into how they interact with gender, housing, national economies, and tax evasion. This is because inheritance and gift taxes are so complicated, a lot of study has been done to try to figure out how these taxes affect people's behaviour and patterns of wealth transfer. For example, Glogowsky (2021) explores how people behave in response to inheritance and gift taxes in Germany, noting that people's perceptions of these tax regimes determine whether they are desirable or effective. In order to prevent tax revenue collection and undermine wealth redistribution goals, the paper emphasises how crucial it is to understand whether tax increases in this area result in fewer transfers, strategic testament planning, or possible misreporting of received wealth. Through the use of the German setting, which offers a plethora of administrative data and a unique tax variant, the study carefully examines how inheritance and gift taxes affect taxable asset transfers in general. Interestingly, the study shows a measurable "bunching effect" at certain tax thresholds, which suggests deliberate modifications made by people in reaction to shifts in the tax rate. Significantly, this change mostly manifests in testament planning, as donors reconcile their bequest intentions with the requirements of the tax legislation. But the analysis also reveals an unexpected finding: the real modifications made in response to tax schedules look very small, notwithstanding the possibility of strategic planning and manipulation of wealth transfers. This calls into question accepted wisdom about the extent of tax-driven behavioural reactions and how they would affect wealth distribution in the long run.

Tisch and Schechtl (2023) examine the ways in which gendered parental transfer behaviour interacts with inheritance and gift tax regimes, possibly exacerbating gender wealth disparities.

The study reveals gender differences in the likelihood, value, and types of transfers received through the examination of German administrative tax data. This highlights a gender tax gap and suggests that males may benefit differently from certain asset-specific tax exemptions. Moreover, Mikawa et al. (2023) suggest that the reform, imposing higher taxes on large inheritances, consequently reducing rents for certain housing types, incentivized the construction of inexpensive apartments, thereby linking inheritance tax policy to housing market dynamics. In addition, Tisch and Schechtl (2023) examine the ways in which gendered parental transfer behaviour interacts with inheritance and gift tax regimes, they reveal that gender differences in the likelihood, value, and types of transfers received through the examination of German administrative tax data. Furthermore, Linseis (2022) compares official inheritance tax figures with estimates based on wealth transfer data from surveys. Remarkably, the study finds little evidence of widespread tax evasion, indicating that evasion may not be the only reason for the difference between reported inheritance tax revenue and estimated wealth transfers. As a result, extensive inheritance recording should be included in official tax statistics.

Black et al. (2022) offers unexpected insights about the contribution of gifts and inheritances to total individual inflows. These transfers only account for a small portion of the total across various wealth groups, indicating that the inheritance tax may not be as effective as it may be in reducing the excessive wealth disparity in society. Moreover, Kudła et al. (2022) investigate the factors influencing inheritance and gift taxes in the European Union, they reveal a convoluted web of interrelated political, economic, and demographic variables that influence the structure and receipts of inheritance taxes. Their findings underscore the complex interplay between political tendencies and demographic data with regard to tax regimes, particularly with regard to inheritance taxes in various countries.

A comparative summary of inheritance tax laws in a few European nations and the US is given by Jestl's analysis (2021). He draws attention to how many tax regimes provide families preferential status, especially when it comes to family residences and company assets. It highlights the potential of properly crafted inheritance taxes to alleviate wealth disparity and examines how people behave in response to various tax systems. In addition, Bastani and Waldenström (2021) investigate attitudes regarding inheritance taxes and how they relate to views of the social effects of inherited wealth. Their randomised experiment in a Swedish survey shows that people's support for inheritance taxes increases dramatically when they are informed about the role that inherited money plays in maintaining inequality. The study highlights how tax policy opinions may be affected by increasing public knowledge of inherited wealth.

Ortiz et al. (2021) investigate the intricate interplay of market value, shareholder protection, and inheritance taxes in international family businesses. Their findings emphasise the complex relationship between inheritance tax consequences inside corporate governance frameworks and how business families' objectives and market values are influenced by their interactions with

shareholder protection legislation as external governance mechanisms. Additionally, Hager and Sanderson (2021) shedding light on the challenges and considerations in navigating changing tax policies within the realm of estate planning. they confirm that State death tax exemptions undergo a number of modifications in 2021 as a result of new laws or adjustments for inflation. The exemptions from the separate estate taxes that twelve states and the District of Columbia impose in addition to the federal estate tax have undergone several adjustments, just as they did in previous years. Besides, Decerf and Maniquet (2021) make their way across the junction of social welfare functions and fairness principles in order to identify the best inheritance tax schemes. Their study reveals optimal tax functions for modest bequests by balancing the flexibility of bequest decisions made by parents with the need to ensure that children are not penalised by parental generosity. This illustrates that taxation, as opposed to subsidisation, is in line with certain fairness standards. Moreover, Anderwald and Niemann (2023) explore the controversial topic of net wealth taxes in relation to inheritance and gift taxes, placing these levies in the context of wealth distribution and public budgets. The note evaluates legal and economic viewpoints, outlines the features of net wealth taxes, examines their current situation in all OECD member nations, and considers arguments in favour of and against their reinstatement. The multidisciplinary approach acknowledges the complex effects of these levies on financial decisions and taxpayer compliance by fusing legal research with economic reasoning. It also looks into the possibility of using inheritance and gift taxes as workable options to reduce wealth disparity, promoting educated discussion about tax policy.

In order to close the wealth gap, regrading inheritance tax implementation, Batchelder (2020) suggests imposing income and payroll taxes on considerable inheritances. With a primary focus on wealthy heirs, this reform seeks to level the playing field economically and has the potential to raise significant funds for social investment. With the expectation that public support for taxing inherited money will grow, the idea is an effort to reduce inequalities, facilitate mobility, and alter the tax environment. In addition, Beznoska et al. (2020) examine how Germany's inheritance tax contributes to the decrease of wealth disparity. Their findings highlight the intricacy of tax reform and the necessity of striking a balance between the distribution of wealth, economic incentives, and tax planning-related behavioural reactions.

In order to attain optimality among diverse families, Harashima (2020) presents an alternate justification for inheritance taxes, highlighting the need to tax economic rents arising from ranking value and preference. The purpose of this proposed rent tax is to counteract economic inefficiencies and provide the best possible economic circumstances for a variety of people, not capital income. Shin (2020) reveals the tactics family businesses employ to evade inheritance taxes, with a special emphasis on intragroup mergers as a way to transfer ownership without incurring tax obligations. This conduct is consistent with tax legislation designed to encourage particular organisational modifications in family-owned enterprises. However, the theoretical framework developed by Piketty and Saez (2013) determines the best inheritance tax formulae by

taking equity-efficiency trade-offs into account and putting forth manageable formulas based on social preferences for redistribution, aggregate incomes, and bequest elasticities. Their approach provides a fundamental framework for comprehending the ideal inheritance-related tax rates. Moreover, Goupille-Lebret and Infante (2018) examine how inheritance taxes affect the building of wealth. By utilising creative empirical techniques, they clarified behavioural reactions to inheritance tax, highlighting the possibility that observed reactions are not only the result of wishes to maintain control over one's money.

A complex environment is shown by research on risk management related to inheritance. These studies demonstrate the complex interactions between inheritance taxes and the various ways in which it affects national fiscal policies, gender inequities, housing markets, and society dynamics. They draw attention to the complexity of inheritance tax regimes and call for a better comprehension of how they influence economic behaviour, societal equality, and efficient fiscal management. These studies also highlight the fine line that must be drawn between economic efficiency and justice, exploring the implications of inheritance and gift taxes as possible means of addressing wealth disparity. All things considered, this thorough analysis highlights the intricacy of tax policy design and its enormous influence on wealth distribution and economic behaviours, providing scholars and policymakers with critical insights.

Gift Tax

Inheritance and gift taxes are examples of intergenerational transfer taxes that are essential instruments for reducing wealth inequality and increasing tax receipts (OECD, 2021; Piketty, 2014). However, because there is little variety in tax rates and little wealth transfer data, the effectiveness of these taxes depends on people's behavioural reactions, which poses empirical issues (Glogowsky, 2021; Nordblom et al., 2006). This investigation reveals complex reactions to tax reforms (Auerbach et al., 1988; Escobar et al., 2019). These confirm that tax policy has a major impact on the timing and size of wealth transfers. However, complexity of tax structures influences individual tax-planning strategies (Agell et al., 2000; Bernheim et al., 2004; Schneider, 2005). In addition, Glogowsky (2021); and Escobar et al. (2019) emphasizing the dynamic nature of tax avoidance behaviours and their implications for tax compliance and enforcement elucidating the interplay between tax policy changes and individuals' timing and volume of wealth transfers.

The influence of bequest taxes on savings and transfers is examined by Kudła et al. (2023), with particular attention to the dynamics of parental and filial decision-making. The study reveals a range of behavioural reactions driven by various bequest reasons, from unintentional concerns to altruistic tendencies. The intergenerational exchange mechanism is disrupted and saves behaviour is inhibited by increased bequest taxes, indicating the necessity for prudently low bequest tax rates to encourage savings among older populations. However, NerdWallet points out that you most likely won't have to pay gift tax if you give someone more than $16,000 in a single year. In addition to having to submit a gift tax return, the extra money will likely be deducted from your lifetime

gift exclusion. Moreover, Rosacker et al. (2023) examined intergenerational agricultural property transfers under different tax rates and succession plans. Their results highlight the fact that sales transactions include the largest tax costs, whereas estate transfers provide the best tax outcomes. This emphasises how important tax factors are when deciding when and how to best handle intergenerational family farm transfers.

The social, economic, and tax aspects of family farm succession planning are covered in great detail in the literature. According to Rodriguez-Lizano et al. (2020) and Suess-Reyes and Fuetsch (2016), social scientists and agricultural economists have made significant contributions to our understanding of the effects of family farm succession planning. They have also emphasised the importance of taking tax implications into account when analysing economic literature (Kimhi and Lopez, 2008; Boehlje and Eisgruber, 1972). Boehlje and Eisgruber's results on donations as part of successful estate administration (1972) show that tax concerns, while not necessarily the major emphasis, play a considerable role in estate management techniques. However, research such as Tauer (1985) and Hogge et al. (2017) highlight the significance of life insurance and estate planning education for farmers in order to save taxes and manage family relations. Kimhi and Lopez (2008) elucidated the interdependence of retirement and succession choices in family farms, emphasising individual factors in addition to tax consequences.

The diversity of the literature highlights the complexity of tax planning in family farm succession by providing insights into a range of methods and factors that affect efficient tax management plans. Even though these studies significantly advance our understanding of the dynamics of succession planning, more investigation is needed to fully grasp the nuances of tax planning scenarios and how they affect different intergenerational transfer strategies (such as sales, gifts, and bequests) in order to maximise tax benefits for family farm transfers. Moreover, Tetteh and Boehlke (2019) investigate the effects of wealth and the duration of transitions. Their study sheds light on the intricate relationships between timing and wealth, especially as it relates to inheritance and estate taxes. In addition, the literature also stresses how crucial communication and education are to estate planning. Research like Hogge et al. (2017) emphasise how important farmer education is for comprehending tax ramifications and managing family relations. This emphasises how important it is to have better communication in order to handle tax planning and succession issues.

Kudła et al. (2023) show that bequest taxes can discourage saving behaviour and have a distinct impact on various bequest reasons. For example, if interest rates are low in comparison to tax rates and the value of spending exceeds that of future generations, savings may decline under the altruistic incentive. Similarly, low interest rates, high taxes, and longer life expectancies may cause savings to decline under the unintentional incentive. However, Kudła et al. (2023) indicate that higher bequest taxes may impede savings and sour intergenerational relationships. In the similar line, Rosacker, Rosacker, and Fingland (2023) investigate the tax implications of intergenerational

family farm transfers using a Monte Carlo simulation, taking into account different common succession plans and tax rates. According to their research, sales transactions have the highest tax costs whereas estate transfers have the most advantageous tax results, as seen by the lowest total tax burden. This emphasises how important it is to take taxes into account when assessing and choosing the best time and strategy for intergenerational family farm transfers. In addition, Suess-Reyes and Fuetsch (2016) and Rodriguez-Lizano et al. (2020), predominantly focuses on sociological and economic impacts, by examine the factors like wealth, community dynamics, and tax implications. While Boehlje and Eisgruber's (1972) studies acknowledge the legal ramifications of intergenerational transfers, they place less focus on the tax implications in order to maintain the economic management and expansion of the agricultural operation. Boehlje and Eisgruber's research, however, deviates from conventional estate planning expertise by suggesting that, despite widespread advice against exceeding annual or lifetime gift exemptions, big contributions may be an essential component of the best estate management strategy.

In order to fund the interests of off-farm successors in agricultural property at the time of the patriarch matriarch founders' deaths, Tauer (1985) explores the use of life insurance by on-farm heirs. This financing technique is acknowledged to offer substantial tax planning options, hence minimising tax transfer payments upon death, even if it was not taken into account in Boehlje and Eisgruber's (1972) evaluation. Although Tauer recognises the potential of life insurance in the context of policy ownership by succession on-farm heirs, the numerous tax planning possibilities related to life insurance receive little consideration. However, it is mentioned that "life insurance appears optimal in many cases" (page.69), indicating that it can be useful in intergenerational farm transfers tax management schemes. Kimhi and Lopez (2008) point out that succession concerns are secondary to personal factors when it comes to retirement decisions on family farms. This demonstrates the close relationship and inseparability of retirement and succession planning in the setting of family farms. According to Hogge et al. (2017) emphasise the importance of open communication in successful tax preparation for farm succession and point out family relationships as major roadblocks to efficient tax planning. Tetteh and Boehlke (2019) emphasise how crucial it is to take into account both the nature and the timing of intergenerational farm transfers when developing comprehensive tax planning methods. However, literature review highlights how important it is to use sophisticated tax planning techniques when it comes to family farm succession. Some of these techniques include using life insurance, realising how retirement and succession decisions are linked, stressing the importance of open communication, and taking transfer types into account when planning for estate and inheritance taxes. This demonstrates the complexity of tax consequences in inheritance risk management and the value of using all-encompassing techniques to successfully reduce these risks.

Scholars from a variety of backgrounds have given the tax ramifications of inheritance and gifts a great deal of attention. Kades (2023) clarifies the subtleties of estate taxes by stressing the interconnectedness of federal estate and gift taxes and their ramifications. This realisation

establishes the groundwork for comprehending the complex workings of different tax regimes and their possible effects on wealth transfers. Moreover, Felver and Yoo (2023) emphasize the role of tax policy in influencing aggregate capital stock and lifetime utility, suggesting that these taxes could serve as a means to bolster resources for disadvantaged populations. In addition, Locks (2023) shows evidence of re-timed wealth transfers for tax evasion objectives and illustrates people's emotional reactions to tax rises. The study is noteworthy for highlighting the flexibility of people's responses to tax rates and the influence of tax system designs on changes in behaviour and inclinations towards tax evasion. In addition, Micó-Millán (2023) uses regional tax rate differences to investigate the impact of inheritance and gift taxation on wealth mobility within Spain. Higher inheritance taxes have been shown in the study to reduce wealth mobility at the lower end of the wealth distribution, suggesting long-lasting effects on intragenerational wealth mobility. Additionally, Anderwald and Niemann (2022) give legal and economic assessments as well as an interdisciplinary viewpoint on wealth-related taxes, in particular net wealth taxes. They compare and contrast the features and effects of net wealth taxes with inheritance and gift taxes, highlighting the necessity of a thorough analysis that takes into account both the legal and economic aspects of the policy debate.

In order to assess possible inheritance tax collections, Krenek et al. (2022) predict the future household-level wealth distribution in a subset of EU member nations. Their calculations indicate that low birth rates, demographic changes, and wealth accumulation might all contribute to an increase in inheritance tax income in the medium run. Behavioural reactions to inheritance taxes are acknowledged in the examined empirical data to be relatively less apparent than those to net wealth taxes. However, previous studies highlight the complex relationship between gift and inheritance taxes and welfare, behavioural responses, wealth mobility, and revenue predictions. They underline that in order to manage inheritance risks from a tax viewpoint, tax policy decisions must be informed by thorough evaluations that take into account both legal frameworks and economic ramifications. Moreover, Guo's (2022) research questions the widely held belief that inheritance taxes dramatically reduce wealth concentration. The research challenges the conventional wisdom by demonstrating that inheritances account for just 14% of the wealth of the top 1%. This discovery forces a re-examination of the part inheritance plays in the wealth accumulation of the richest class. It prompts a critical revaluation of the effectiveness of inheritance taxes in reducing wealth inequality and raises the possibility that inherited money may not play as large a role in the creation of wealth among the ultra-rich as previously believed.

Guo's views are supported by the results of Felver and Yoo's (2023) analysis, which show how changing inheritance and gift taxes will affect welfare. Their research clarifies the relationship between lifetime utility and aggregate capital stock as a function of tax rates and exemption levels. Under the framework of an overlapping generations model, this study provides insightful theoretical information on the ideal gift and estate tax rates. It adds to the conversation on inheritance taxes by emphasising how it can affect lifetime well-being and total wealth in societies

where life expectancy is erratic. Furthermore, Locks (2023) offers actual data on how Brazilian individuals behave in reaction to inheritance and gift taxes. The study highlights how receptive people are to tax increases by using differences-in-differences and microdata methods. According to Locks' study, people deliberately reschedule their asset transfers in order to manage their tax responsibilities, which suggests a large degree of short-term elasticity with regard to tax rates. This knowledge of behavioural patterns contributes to the complexity of tax planning and the need to take individual responses to changes in inheritance-related tax laws into account. However, higher inheritance taxes limit wealth mobility, especially in the bottom echelons of the wealth distribution (Micó-Millán, 2023). This clarifies how tax laws, especially those pertaining to inheritance and gifts, affect the ability of less wealthy groups to move up the economic ladder. It emphasises the complex impact of tax laws on the transfer of wealth across generations. Lastly, Krenek et al. (2022) point to an increasing potential income stream for inheritance taxes, driven by changes in the population and the accumulation of wealth among older generations. Nonetheless, the research acknowledges the constraints on the potential revenue due to tax avoidance and behavioural responses. This demonstrates how important it is to estimate tax receipts in the context of inheritance using advanced techniques. On the other hand, there are obstacles to inheritance risk management from a tax standpoint, including variations in national tax legislation and legislative changes.

To create successful plans, people should stay up to speed on tax laws and seek advice from qualified tax professionals. This calls for a thorough knowledge of tax legislation as well as suitable tactics. Individuals and families may guarantee that wealth is successfully handed to future generations and reduce the tax burden of inheritance by employing certain tactics and seeking advice from tax specialists. Individuals must also keep abreast of any modifications to their nation's gift and inheritance rules as well as tax regulations. It should be highlighted that while this research offers a broad overview of the issue of inheritance risk management from a tax viewpoint, in order to apply methods successfully based on individual and family circumstances, certified tax specialists should always be contacted. A crucial component of family and personal financial planning, inheritance risk management ensures that money is preserved and distributed optimally between generations. Furthermore, the literature analysis demonstrated the difficulties faced by first-line family enterprises. The fundamental issue of calculating the tax impact of gifts and inheritances is one of these difficulties. In accordance with existing tax regulations, beneficiaries of an estate left to future generations upon death are required to pay estate and inheritance taxes. Maintaining family wealth can be difficult due to these taxes, which can be rather expensive. In the Emirates, a family business can become a joint venture as of the start of the relevant tax period, or earlier if the regulatory authority so determines.

A family business is characterized by its ownership, management, and cultural ties to one or more families, along with a commitment to long-term sustainability and a unique blend of personal and business interests (Birdthistle and Hales, 2023). However, in this paper family business is an

enterprise in which ownership and control are vested primarily within one or more families, and where the family members significantly influence strategic decisions, management, and operations. These businesses typically exhibit the following characteristics: (Birdthistle and Hales, 2023)

Ownership Structure: Family businesses are owned, controlled, or significantly influenced by one or more family members, either directly or through ownership stakes held by family entities or trusts.

Management Involvement: Family members are actively involved in the management and leadership of the business, holding key positions such as CEO, board members, or department heads.

Succession Planning: The succession of leadership roles and ownership within the business is often planned within the family, with the intention of passing control and ownership to the next generation of family members.

Values and Culture: Family businesses often reflect the values, traditions, and culture of the owning family, which can influence decision-making, corporate governance, and organizational culture.

Long-Term Perspective: Family businesses tend to prioritize long-term sustainability and generational continuity over short-term gains, aiming to preserve wealth and legacy for future generations.

Interpersonal Dynamics: Relationships among family members play a significant role in the functioning of the business, impacting communication, conflict resolution, and decision-making processes.

Flexibility and Adaptability: Family businesses may demonstrate flexibility in responding to market changes and adapting to evolving business environments, often leveraging their agility as a competitive advantage.

Mix of Personal and Business Interests: There may be a blending of personal and business interests within family businesses, with family dynamics occasionally influencing strategic decisions and relationships with stakeholders.

The growth prospects for the year 2021 have been revised downwards according to the International Monetary Fund's forecasts in its October 2021 issue, compared to the predictions in July. This is largely attributed to the reduction in forecasts for the United States, reflecting significant inventory drawdowns in the second quarter partially due to supply disruptions, and declines in consumer spending in the third quarter. Similar downward revisions are seen in

Germany, partly due to shortages of essential inputs affecting manufacturing outputs, and in Japan, as a result of the impact of the fourth state of emergency from July to September due to unprecedented levels of infections during the current wave. However, table 2 shows the annual growth rate in real GDP in advanced economies.

Table 2 Annual growth rate in real GDP in advanced economies (%) in Million $

Country	2020	2021	2022
Advanced economies	-4.5	5.2	4.5
United States	-3.4	6.0	2.5
Euro-zone	-6.3	5.0	4.3
Germany	-4.6	3.1	4.6
Japan	-4.6	2.4	3.2
United Kingdom	-9.8	6.8	5.0

Source: International Monetary Fund (2023).

Table (2) above shows a slight increase occurred in the forecasts for emerging market economies. However, in China, the forecasts for 2021 saw a slight decline due to a larger-than-expected reduction in public investments. Concerns also arose in China and India, where forecasts for emerging and developing Asia were slightly lowered again due to the resurgence of the pandemic. Other regions witnessed a slight increase in growth forecasts for 2021. Some of these improvements reflect better assessments of several commodity exporters whose impact exceeded the adverse effects of pandemic developments (Latin America and the Caribbean, the Middle East and Central Asia, and Sub-Saharan Africa).

Improvements in local demand from the expected levels in major regional economies further raised growth expectations for 2021 (emerging and developing Europe). For low-income countries, growth forecasts have been reduced by 6.0 percentage points compared to July, mainly due to the continued slow vaccine delivery, which remains the primary factor affecting recovery. IMF estimates indicate that low-income countries will need to spend nearly $200 billion to combat the pandemic and $250 billion to restore the convergence paths interrupted in the pre-pandemic period.

Labor market prospects remain relatively bleak for low-skilled workers compared to other demographic groups, indicating a worsening inequality in these countries, making them more vulnerable to falling below the extreme poverty line. Estimates suggest that around 75-65 million additional people will fall into extreme poverty in 2021 compared to pre-pandemic projections.

Research Method

The research methodology of this study centres on a comprehensive review of scholarly articles, legal documents, government reports, and industry publications. This approach aims to thoroughly explore the conceptual framework and practical implications associated with the research topic. By examining a wide range of sources, the study seeks to gather diverse

perspectives and insights, enabling a nuanced understanding of the subject matter. This review serves as the foundation for subsequent analyses and interpretations, guiding the formulation of research questions and the development of empirical investigations.

Discussion

This paper involves negotiating the difficulties presented by the effects of inheritance taxes on the transfer of family wealth and the need for clever tax planning to lessen these effects. In order to maximise tax compliance and asset transfer efficiency. However, INHERITANCE RISK MANAGEMENT encompasses several dimensions that are crucial for effectively safeguarding assets and ensuring smooth transitions within family businesses, as shown in Table (2) below.

Table 2 INHERITANCE RISK MANAGEMENT (Dimensions, AND Measurement)

Dimensions		Measurement	
Legal Frameworks and Compliance:	Understanding and navigating legal structures, wills, trusts, and estate laws to ensure compliance and minimize legal risks associated with inheritance.	Compliance Audits:	Regular assessments to ensure adherence to legal structures and estate laws.
		Documentation Accuracy:	Monitoring the precision and completeness of legal documents like wills and trusts.
		Legal Risk Assessments:	Evaluating potential legal risks and their impact on inheritance processes.
Tax Planning and Optimization:	Strategizing to mitigate tax liabilities and leveraging tax breaks or incentives available for succession planning and intergenerational wealth transfer.	Tax Efficiency Ratio:	Comparing tax liabilities against profits or assets to assess optimization.
		Utilization of Tax Breaks:	Tracking the utilization of available tax incentives and breaks for succession planning.
		Tax Audit Preparedness:	Evaluating the readiness of financial records and documentation for tax audits.
Conflict Resolution and Family Dynamics:	Managing potential conflicts or disputes within the family that may arise during the inheritance process and succession planning.	Family Agreement Adherence:	Tracking adherence to agreed-upon resolutions and compromises.
		Mediation Success Rates:	Assessing the effectiveness of mediation in resolving family disputes related to inheritance.
		Conflict Resolution Metrics:	Measuring the time taken to resolve conflicts within the family or business.
Business Continuity Planning:	Developing strategies to ensure the uninterrupted operation and sustainability of the family business across generations.	Succession Plan Effectiveness:	Assessing the efficiency of the devised succession plan in ensuring business continuity.
		Risk Scenario Planning:	Simulating potential disruptions and assessing the plan's resilience against various scenarios.
		Continuity Plan Testing:	Regular drills and tests to evaluate the practicality and effectiveness of the continuity plan.

Risk Diversification and Asset Protection:	Implementing mechanisms to diversify risks and protect assets, ensuring their preservation and growth for future generations.	Portfolio Diversification Ratio:	Evaluating the diversity of investments to minimize risk exposure. Asset Protection
		Reviews:	Regular assessments of mechanisms in place to protect assets against potential risks.
		Asset Growth Tracking:	Monitoring the growth of protected assets over time.
Financial Planning and Wealth Preservation:	Creating financial plans that secure and preserve wealth, considering investment strategies, risk tolerance, and liquidity needs.	Wealth Preservation Index:	Evaluating the success of wealth preservation strategies over time.
		Investment Performance Metrics:	Assessing returns on investment against predefined benchmarks.
		Liquidity Ratio Analysis:	Evaluating available cash or liquid assets against liabilities or needs.
Communication and Education:	Facilitating transparent communication among family members and educating them about the implications of inheritance planning, fostering alignment and understanding.	Communication Effectiveness Surveys:	Gathering feedback on the clarity and efficacy of communication among family members.
		Education Program Participation:	Tracking participation rates in educational programs related to inheritance planning.
		Understanding Assessment:	Assessing the family members' comprehension of inheritance implications through quizzes or surveys.
Adaptability and Change Management:	Being flexible to adapt to evolving circumstances, market changes, and regulatory environments that may impact inheritance strategies.	Change Implementation Success Rate:	Evaluating the successful execution of changes in response to evolving circumstances.
		Regulatory Compliance Updates:	Tracking and ensuring compliance with changing legal and regulatory environments.
		Adaptation Speed Metrics:	Assessing the speed of adaptation to market changes impacting inheritance strategies.

Addressing these dimensions holistically is crucial for comprehensive inheritance risk management, ensuring the successful transfer of assets and the longevity of family businesses across generations.

A. Financial Performance:

Return on Investment (ROI): Calculates the profitability of an investment relative to its cost.

Profit Margin: Measures the percentage of revenue that translates into profit.

Cash Flow Analysis: Tracks the movement of cash in and out of the business to assess liquidity.

Return on Assets (ROA): indicates how efficiently a company utilizes its assets to generate profits.

Return on Assets (ROA) is a financial metric that measures a company's profitability relative to its total assets. The calculation of ROA involves dividing the company's net income by its average total assets. The formula for calculating ROA is as follows:

ROA = {Net Income}/{Average Total Assets}

Where:

Net Income: refers to the company's net profit or net earnings after deducting all expenses, including taxes, interest, and operating costs, from its total revenue.

Average Total Assets: represents the average value of the company's total assets over a specific period. It is calculated by adding the total assets at the beginning and end of the period and dividing the sum by two.

ROA indicates how efficiently a company utilizes its assets to generate profits. A higher ROA signifies that the company is generating more profits relative to its asset base, reflecting better asset utilization and profitability.

B. **Risk Management:**

Risk Assessment Surveys: Quantify potential risks and their impact on business operations.

Risk Register: Logs identified risks, their likelihood, and potential impact.

Key Risk Indicators (KRIs): Monitors specific metrics indicating potential risks.

C. **Operational Efficiency:**

Key Performance Indicators (KPIs): Measures performance against strategic goals.

Time Tracking and Workflow Analysis: Assesses time spent on tasks and identifies bottlenecks in processes.

Quality Control Metrics: Evaluates the consistency and quality of outputs.

D. **Customer Satisfaction:**

Net Promoter Score (NPS): Measures customer loyalty and satisfaction.

Customer Surveys: Gathers feedback on products/services, overall experience, and preferences.

Customer Retention Rate: Calculates the percentage of customers retained over a specific period.

E. **Employee Performance:**

Performance Appraisals: Evaluates employee performance against set objectives.

360-Degree Feedback: Collects feedback from peers, managers, and subordinates.

Employee Engagement Surveys: Measures employee satisfaction, motivation, and commitment.

F. **Innovation and Growth:**

Research and Development (R&D) Expenditure: Tracks investment in innovation.

New Product Development Metrics: Measures success rates of new product launches.

Market Expansion Rate: Evaluates the growth of the business into new markets.

These measurement methods offer insights into different aspects of business, facilitating informed decision-making and improvement strategies across various domains.

The idea of inheritance risk management is derived from the field of risk management in general and emphasises the need for strategic planning when transferring family assets across generations. Within this framework, inheritance plans are significantly shaped by the consequences of taxes (Finkler, 2003; Rifkin et al., 2023). According to Rifkin et al. (2023), medical research has brought attention to the possibility of passing down inherited hazards. However, effective risk mitigation measures are necessary for estate planning, and strategic management of these risks becomes crucial. Gift and estate taxes have a big impact on how money is passed down in families, therefore finding efficient ways to transmit wealth to the next generation while minimising tax obligations is important (Worth, 2020). The intricacies emerge from the requirement to know the local tax system, precisely evaluate assets, and implement different tactics, including trust formation and clever investment structures, to reduce tax effect (Neubauer and Lank, 2016). In addition, there are several obstacles to managing inheritance risk in the tax environment, such as variations in tax legislation and national differences (Neubauer and Lank, 2016). To tackle these obstacles, it is necessary to regularly update tax laws, seek advice from tax experts, and develop customised plans that maximise tax adherence and wealth transfer effectiveness. In addition to recommending expert guidance to match methods with specific

situations, the research emphasises the significance of keeping up with changing tax rules and restrictions (Worth, 2020). Family businesses have particular difficulties when calculating the effects of gift and inheritance taxes. The intricate nature of estate planning demands a thorough comprehension of the tax ramifications and the application of practical techniques to maintain family wealth for future generations. The report also highlights the value of family companies gaining joint venture status, highlighting the complexity and relevance of legal compliance in particular jurisdictions.

Thus, Inheritance risk management in family companies is a complex process involving legal, financial, interpersonal, and strategic aspects. The intricacies stem from the convergence of familial dynamics, legal structures, monetary factors, and the requirement for uninterrupted company operations. For assets and enterprises to transfer smoothly across generations, legal frameworks and compliance are essential. Careful attention to wills, trusts, and estate laws reduces legal risks and guarantee that the business owner's objectives are carried out, minimising potential disputes or misunderstandings during inheritance. The preservation of wealth for future generations depends on effective tax planning and optimisation techniques. Utilising tax benefits and breaks via careful planning lowers tax obligations and makes transitions easier, allowing family wealth to be preserved and increased. To maintain the family firm's operations and values, business continuity planning is crucial. In order to ensure a smooth transition of power and duties, succession plans must not only identify successors but also provide them with the necessary training and support. Managing family relations and resolving conflicts are two of the most difficult components of inheritance risk management. Conflicts of interest, divergent expectations, and emotions might endanger the company's viability. Family harmony and business continuation depend on effective communication, mediation, and adherence to agreed-upon decisions.

Long-term sustainability depends on risk diversification and asset protection against possible shocks. Future generations can be assured of the family's wealth by proactive risk reduction techniques, strong asset protection systems, and diversified investment portfolio management. It is essential to plan financially with an emphasis on preserving money. Safeguarding and increasing family wealth is largely dependent on the creation of thorough financial planning, the consideration of investment strategies that are in line with risk tolerance, and the fulfilment of liquidity demands. Understanding, alignment, and less stressful transitions are promoted by family members' communication and education on the implications of inheritance. When paired with educational initiatives, open communication helps family members make educated decisions, which lowers miscommunication and conflict. Change management and adaptability are still essential in today's dynamic corporate environment. Over time, the relevance and sustainability of inheritance strategies are ensured by their flexibility in adapting to changing market conditions, legal frameworks, and innovative approaches.

CONCLUSION

This paper has delved into the intricate landscape of inheritance risk management within family-owned businesses, with a focus on the utilization of tax benefits as a crucial aspect of navigating these complexities. Maintaining the longevity of family enterprises across generations is imperative for preserving wealth and ensuring economic stability. However, challenges such as intricate inheritance laws and potential estate taxes can impede smooth ownership transfers within family structures. Through an exploration of various legal frameworks and inheritance planning approaches, this paper has investigated strategies aimed at mitigating these challenges. Estate planning instruments, such as wills and trusts, have been examined for their role in safeguarding family enterprises against discord arising from inheritance disputes. The effectiveness of various inheritance planning approaches in mitigating risks within family-owned businesses has been thoroughly investigated, along with an evaluation of the impact of current tax breaks and incentives on long-term profitability and succession planning. Moreover, strategic tax planning is essential to maximise asset transfer and reduce tax loads between generations because of the complicated issues of inheritance risk management under tax systems. This study sheds light on a number of issues, consequences, and directions for further investigation in the area of tax-aware inheritance risk management. But one of the biggest obstacles is having a thorough grasp of the tax regulations around gifts and inheritance, which differ from one jurisdiction to the next and change over time. Significant obstacles arise from changes in tax laws and differences between nations, calling for constant updates and attention to detail. Additionally, a thorough grasp of the tax ramifications and the deliberate use of efficient planning strategies are necessary due to the complexity of assessing the effects of taxes on family asset transfer, particularly for family companies. The methodology employed in this study cantered on a comprehensive review of scholarly articles, legal documents, government reports, and industry publications. The findings underscored the significance of strategic inheritance planning and tax optimization in ensuring the longevity and prosperity of family businesses. This paper contributes to the existing body of knowledge by shedding light on the intricate dynamics of inheritance risk management and tax planning within family-owned businesses, offering practical insights and recommendations to empower family enterprises to navigate complex challenges effectively and sustainably. Future research endeavours could focus on examining the behavioural responses of individuals and families to inheritance taxes and their implications for wealth transfer strategies, conducting comparative studies across different jurisdictions to understand variations in tax implications for gifts and inheritance, and longitudinal research to monitor the effects of tax law changes on wealth transfer effectiveness and family business sustainability. Managing inheritance risks is a vital issue in financial and inheritance planning, requiring comprehensive models that include awareness, planning, and legislation. Strategic tax planning is essential to maximize asset transfer and reduce tax loads between generations under the complicated issues of inheritance risk management within tax systems. The utilization of strategic tax planning becomes imperative for both individuals and

families to ensure smooth transfer of wealth across generations. However, it is essential to address the obstacles posed by changes in tax laws and differences between nations by consulting with tax specialists and staying updated on tax rules. For family businesses, inheritance risk management requires a comprehensive strategy incorporating legal, financial, interpersonal, and strategic elements. Success necessitates careful preparation, clear communication, flexibility, and the capacity to handle challenges while upholding family harmony and the company's history. Through the management of legal compliance, tax optimization, business continuity, financial planning, communication, adaptability, risk diversification, and conflict resolution, family businesses can create conditions for seamless transitions, long-term prosperity, and generational continuation of their legacies. It is critical to implement these tactics and continually improve them over time to ensure the survival and prosperity of family-owned businesses.

ETHICS STATEMENTS

The study complies with strict ethical guidelines. Additionally, the study adhered closely to ethical standards, guaranteeing that each subject gave their informed permission before beginning the investigation. This includes thorough descriptions of the processes, goals, and voluntary nature of participation in the research, enabling participants to make decisions about their involvement in the process with knowledge.

AUTHOR STATEMENTS

The contributions of the author to this published work include verification in the new sense; This research is a review of the literature. The author contributes to this research and to demonstrating the concept of IRM in the context of tax exemptions for family businesses.

ACKNOWLEDGMENTS

There is no funding for this work.

DECLARATION OF INTERESTS

The authors certify that none of the work described in this paper may have been influenced or biased by known conflicting financial interests or personal ties. This publication's research and all of its components were carried out impartially and transparently.

REFERENCES

Altonji, J. G., Hayashi, F., & Kotlikoff, L. J. (1997). Parental altruism and intervolves transfers: Theory and evidence. Journal of political economy, 105(6), 1121-1166.

Anderwald, A. M., & Niemann, R. (2022). Policy Note: Is the Inheritance and Gift Tax a Reasonable Alternative for the Net Wealth Tax?: A Legal and Economic Analysis Across OECD Countries. Intertax, 50(6/7).

Anderwald, A. M., & Niemann, R. (2023). Is the Inheritance and Gift Tax a Reasonable Alternative for the Net Wealth Tax?: A Legal and Economic Analysis Across OECD Countries. Intertax, 50(6).

Barro, R. J. (1974). Are government bonds net wealth?. Journal of political economy, 82(6), 1095-1117.

Bastani, S., & Waldenström, D. (2021). Perceptions of inherited wealth and the support for inheritance taxation. Economica, 88(350), 532-569.

Batchelder, L. L. (2009). What should society expect from heirs-the case for a comprehensive inheritance tax. Tax L. Rev., 63, 1.

Batchelder, L. L. (2020). Leveling the playing field between inherited income and income from work through an inheritance tax. Tackling the Tax Code: Efficient and Equitable Ways to Raise Revenue, 48-88.

Becker, G. S., & Tomes, N. (1986). Human capital and the rise and fall of families. Journal of labor economics, 4(3, Part 2), S1-S39.

Bernheim, B. D., Lemke, R. J., & Scholz, J. K. (2004). Do estate and gift taxes affect the timing of private transfers?. Journal of Public Economics, 88(12), 2617-2634.

Beznoska, M., Hentze, T., & Stockhausen, M. (2020). The inheritance and gift tax in Germany: Reform potentials for tax revenue, efficiency and distribution. Public Sector Economics, 44(3), 385-417.

Birdthistle, N., & Hales, R. (2023). The Meaning of a Family Business and Why They Are Important to Economies. In Attaining the 2030 Sustainable Development Goal of Gender Equality (pp. 13-24). Emerald Publishing Limited.

Birdthistle, N., & Hales, R. (2023). What It Means to Be a Family Business Today. In Attaining the 2030 Sustainable Development Goal of Sustainable Cities and Communities (pp. 11-21). Emerald Publishing Limited.

Black, S. E., Devereux, P. J., Landaud, F., & Salvanes, K. G. (2022). The (un) importance of inheritance (No. w29693). National Bureau of Economic Research.

Boehlje, M. D., & Eisgruber, L. M. (1972). Strategies for the Creation and Transfer of the Farm Estate. American Journal of Agricultural Economics, 54(3), 461-472.

Bosch, N., Dekker, V., & Strohmaier, K. (2020). A data-driven procedure to determine the bunching window: an application to the Netherlands. International Tax and Public Finance, 27, 951-979.

Brishmaer, A. V. (2022). Applicability of inheritance tax in South Africa (Doctoral dissertation, North-West University (South Africa)).

Brockmeyer, A. (2014). The investment effect of taxation: Evidence from a corporate tax kink. Fiscal Studies, 35(4), 477-509.

Brülhart, M., Gruber, J., Krapf, M., & Schmidheiny, K. (2022). Behavioral responses to wealth taxes: Evidence from Switzerland. American Economic Journal: Economic Policy, 14(4), 111-150.

Bruze, G., & von Essen, E. (2022). Changing Property Rights in the Family: Evidence from an Inheritance Reform. The Journal of Law and Economics, 65(2), 343-368.

Burgess, M. (2022). Tax and estate planning in 2023: the road ahead. Taxation in Australia, 57(5).

Cagetti, M., & De Nardi, M. (2008). Wealth inequality: Data and models. Macroeconomic dynamics, 12(S2), 285-313.

Cagetti, M., & De Nardi, M. (2009). Estate taxation, entrepreneurship, and wealth. American Economic Review, 99(1), 85-111.

Camarda, J., Lee, S. J., Lee, J., Camarda, J., Lee, S. J., & Lee, J. (2021). The Coming Tax Storm Will There Be Massive Tax Hikes on Wealth Holders. The Financial Storm Warning for Investors: How to Prepare and Protect Your Wealth from Tax Hikes and Market Crashes, 29-42.

Castaneda, A., Diaz-Gimenez, J., & Rios-Rull, J. V. (2003). Accounting for the US earnings and wealth inequality. Journal of political economy, 111(4), 818-857.

Cavicchioli, D., Bertoni, D., & Pretolani, R. (2018). Farm succession at a crossroads: The interaction among farm characteristics, labour market conditions, and gender and birth order effects. Journal of Rural Studies, 61, 73-83.

Clausing, K. A., & Sarin, N. (2023). A blueprint for tax reform in 2025.

Cole, A. (2015). Estate and inheritance taxes around the world. Fiscal Fact, 458.

Cole, A. (2015). Estate and inheritance taxes around the world. Fiscal Fact, 458.

Cooper, G. (1977). A voluntary tax? New perspectives on sophisticated estate tax avoidance. Columbia Law Review, 77(2), 161-247.

Cooper, G. (1979). A voluntary tax?: new perspectives on sophisticated estate tax avoidance. (No Title).

Cremer, H., & Pestieau, P. (2003). Wealth transfer taxation: a survey. Available at SSRN 462441.

De Nardi, M., & Yang, F. (2016). Wealth inequality, family background, and estate taxation. Journal of Monetary Economics, 77, 130-145.

Decerf, B., & Maniquet, F. (2021). Fair inheritance taxation.

Dekker, V., Strohmaier, K., & Bosch, N. (2016). A data-driven procedure to determine the bunching window: An application to the Netherlands.

Fadun, O. S. (2013). Risk management and risk management failure: Lessons for business enterprises. International Journal of Academic Research in Business and Social Sciences, 3(2), 225-239.

Felver, T. B., & Yoo, J. (2023). Welfare Aspects of Estate and Gift Taxes in Life Cycle Economies. Korean Economic Review, 39, 381-411.

Finkler, K. (2003). Illusions of controlling the future: risk and genetic inheritance. Anthropology & medicine, 10(1), 51-70.

Gale Jr, H. F. (1994). Longitudinal analysis of farm size over the farmer's life cycle. Applied Economic Perspectives and Policy, 16(1), 113-123.

Gale, W. G., Pulliam, C., Sabelhaus, J., & Sawhill, I. V. (2020). Taxing wealth transfers through an expanded estate tax.

Glogowsky, U. (2021). Behavioral responses to inheritance and gift taxation: Evidence from Germany. Journal of Public Economics, 193, 104309.

Goupille-Lebret, J., & Infante, J. (2018). Behavioral responses to inheritance tax: Evidence from notches in France. Journal of Public Economics, 168, 21-34.

Goupille-Lebret, J., & Infante, J. (2018). Behavioral responses to inheritance tax: Evidence from notches in France. Journal of Public Economics, 168, 21-34.

Guo, Y. (2022). Inheritance, wealth distribution, and estate taxation. Working Paper.

Hager, K., & Sanderson, B. (2021). Estate Planning in an Age of Changing Tax Law. In Tax Conference (Marshall-Wythe School of Law). William and Mary Tax Conference (No. 67, pp. 0_1-8). College of William and Mary, Marshall-Wythe School of Law.

Harashima, T. (2020). An Alternative Rationale for the Necessity of an Inheritance Tax.

Harl, N. (2015). Federal estate taxation of farm and ranch estates.

Hillson, D., & Murray-Webster, R. (2017). Understanding and managing risk attitude. Routledge.

Hogge, J., Eborn, B., Packham, J., Findlay, R., & Harrison, S. (2017). Multiyear succession and estate planning for farm and ranch families. The Journal of Extension, 55(4), 19.

Hurd, M. D., & Smith, J. P. (1999). Anticipated and actual bequests.

International Monetary Fund (2023). Access on 20/032024. Available at: https://unctad.org/publication/trade-and-development-report-2023

Jakurti, E., & Süssmuth, B. (2023). Behavioral responses to wealth taxes: Evidence from the Spanish Survey of Household Finances. Economics Letters, 223, 110976.

Jestl, S. (2021). Inheritance tax regimes: a comparison. Public Sector Economics, 45(3), 363-385. https://doi.org/10.3326/pse.45.3.3

Joulfaian, D. (2004). Gift taxes and lifetime transfers: time series evidence. Journal of Public Economics, 88(9-10), 1917-1929.

Kades, E. (2023). One Trust, Two Taxes. Pittsburgh Tax Review, 20(2).

Kannan, N., & Thangavel, N. (2008). Risk management in the financial services industry. Academic Open Internet Journal, 22(7), 1-20.

Kimhi, A., & Lopez, R. (1995). Retirement and Succession Considerations of Maryland Farmers: Preliminary Evidence from a Household Survey (No. 1667-2016-136409).

Kimhi, A., & Lopez, R. (1999). A note on farmers' retirement and succession considerations: Evidence from a household survey. Journal of Agricultural Economics, 50(1), 154-162.

Kopczuk, W. (2013). Taxation of intergenerational transfers and wealth. In Handbook of public economics (Vol. 5, pp. 329-390). Elsevier.

Kopczuk, W. (2013a). Taxation of intergenerational transfers and wealth. In Handbook of public economics (Vol. 5, pp. 329-390). Elsevier.

Kopczuk, W., & Lupton, J. P. (2007). To leave or not to leave: The distribution of bequest motives. The Review of Economic Studies, 74(1), 207-235.

Kotlikoff, L. J., & Summers, L. H. (1981). The role of intergenerational transfers in aggregate capital accumulation. Journal of political economy, 89(4), 706-732.

Kotlikoff, L. J., Smetters, K., & Walliser, J. (1999). Privatizing social security in the United States comparing the options. Review of Economic Dynamics, 2(3), 532-574.

Krenek, A., Schratzenstaller, M., Grünberger, K., & Thiemann, A. (2022). INTAXMOD: Inheritance and gift taxation in the context of ageing (No. 645). WIFO Working Papers.

Kudła, J., Kruszewski, R., Dudek, M., & Walczyk, K. (2023). The impact of bequest taxation on savings and transfers. Equilibrium. Quarterly Journal of Economics and Economic Policy, 18(2), 333-365.

Kudła, J., Woźniak, R., Walczyk, K., Dudek, M., & Kruszewski, R. (2022) Determinants of inheritance and gifts taxation in the European Union. International Journal of Management and Economics.

Laitner, J. (1997). Intergenerational and interhousehold economic links. Handbook of population and family economics, 1, 189-238.

Laitner, J., & Juster, F. T. (1996). New evidence on altruism: A study of TIAA-CREF retirees. The American Economic Review, 893-908.

Lima, F. A., & Seuring, S. (2023). A Delphi study examining risk and uncertainty management in circular supply chains. International journal of production economics, 258, 108810.

Linseis, P. (2022). Inheritance Tax Evasion in Germany. Journal of Legal Studies "Vasile Goldiş", 29(43), 91-113.

Locks, G. (2023). Behavioral Responses to Inheritance Taxes: Evidence from Brazil.

Micó-Millán, I. (2023). The Effects of Inheritance and Gift Taxation on Upward Wealth Mobility at the Bottom: Lessons from Spain.

Mikawa, N., Yasuda, S., & Yukutake, N. (2023). Does inheritance taxation reform promote to build inexpensive rental housing?. Journal of the Japanese and International Economies, 68, 101255.

Mike-Valles. 2022. Estate Tax Exemption Amount Goes Up in 2023. Bright - The Epoch Times. Access on 13/11/2023. Available at: https://www.theepochtimes.com/bright/estate-tax-exemption-amount-goes-up-in-2023-4872691?utm_medium=GoogleAds&utm_source=PerfmaxM&utm_campaign=PM_max_Susanna_MaroonOffer_1016&gclid=Cj0KCQiAr8eqBhD3ARIsAIe-buNkVI1cqhiFW3EukulP2VDkjUWQJ1v0ns9GPRNTpxFK0DQgERSaEJUaAnbBEALw_wcB

Neubauer, F., & Lank, A. G. (2016). The family business: Its governance for sustainability. Springer.

Neuhäuser, C. (2023). Inheritance tax, justice and family businesses. Inheritance and the Right to Bequeath: Legal and Philosophical Perspectives, 198-214.

Ortiz, M., Carney, M., Duran, P., Braun, M., & Riutort, J. (2021). Inheritance tax, shareholder protection, and the market value of family firms: A cross-country analysis. Global strategy journal, 11(3), 434-467.

Pestieau, P., & Sato, M. (2008). Estate taxation with both accidental and planned bequests. Asia-Pacific Journal of Accounting & Economics, 15(3), 223-240.

Piketty, T., & Saez, E. (2013). A theory of optimal inheritance taxation. Econometrica, 81(5), 1851-1886.

Piketty, T., & Saez, E. (2013). Top incomes and the great recession: Recent evolutions and policy implications. IMF economic review, 61(3), 456-478.

Rifkin, A. S., Shi, Z., Wei, J., Zheng, S. L., Helfand, B. T., Cordova, J. S., ... & Xu, J. (2023). Risk assessment of venous thromboembolism in inflammatory bowel disease by inherited risk in a population-based incident cohort. World Journal of Gastroenterology, 29(39), 5494.

Rodriguez Lizano, V. A., Montero-Vega, M., & Sibelet, N. (2020). Which variables influence the succession process in family farms? A literature review.

Rosacker, K. M., Rosacker, R. E., & Fingland, S. (2023). A Monte Carlo Simulation of the Tax Burdens and Impacts Associated With Common Intergenerational Family Farm Transfer Strategies. The Journal of Applied Business and Economics, 25(2), 10-23.

Saymaz, S., & Lambert, H. H. (2019). Family business succession planning opportunities. The CPA Journal, 64.

Seim, D. (2017). Behavioral responses to wealth taxes: Evidence from Sweden. American Economic Journal: Economic Policy, 9(4), 395-421.

Shin, H. (2020). Avoiding inheritance taxes in family firms. Financial Management, 49(4), 1051-1082.

Shubailat, O., Al-Zaqeba, M., Madi, A., & Alheet, A. (2024). Analyzing the improvement of estate governance and management in Jordan using blockchain. International Journal of Data and Network Science, 8(2), 1059-1072. https://doi.org/10.5267/j.ijdns.2024.3.002

Sosner, N., Liberman, J., & Liu, S. (2021). Integration of income and estate tax planning. The Journal of Wealth Management, Summer, 24(1), 78-104.

Sturrock, D., Groot, S., & Möhlmann, J. L. (2022). Wealth, gifts and estate planning at the end of life (No. W22/29). IFS Working Paper.

Suess-Reyes, J., & Fuetsch, E. (2016). The future of family farming: A literature review on innovative, sustainable and succession-oriented strategies. Journal of rural studies, 47, 117-140.

Tauer, L. W. (1985). Use of life insurance to fund the farm purchase from heirs. American Journal of Agricultural Economics, 67(1), 60-69.

Tetteh, I., & Boehlje, M. (2019). An intergenerational farm transfer: when to start handing over the reins?. International Food and Agribusiness Management Review, 22(3), 429-434.

Tisch, D., & Schechtl, M. (2023). The Gender (Tax) Gap in Parental Transfers: Evidence from Administrative Inheritance and Gift Tax Data.

UAE-Ministry of Finance , 2023. Ministerial Decision No. (265) of 2023 Regarding Qualifying Activities and Excluded Activities for the Purposes of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses. https://mof.gov.ae/tax-legislation/

Worth, M. J. (2020). Nonprofit management: Principles and practice. CQ Press.

Yang, F. (2013). Social security reform with impure intergenerational altruism. Journal of Economic Dynamics and Control, 37(1), 52-67.

Yeh, Y. H., & Liao, C. C. (2019). The effect of estate tax change on the controlling shareholding structure and corporate value of family firms. Corporate Governance: An International Review, 27(1), 33-44.