

Press Release

25 March 2010
For immediate release

Budget lays down political battle lines

NEW measures to tax the wealthy announced in yesterday's Budget (March 24, 2010) gave the clearest indication yet of where the political battle lines will be drawn come the election.

According to Target Chartered Accountants, the previously unannounced increase in stamp duty on million pound homes, coupled with the renewed focus on the tax affairs of the very wealthy, should set alarm bells ringing for high income earners.

Gavin Lenthall, Group Head of Tax Planning at Target, explains: "Essentially this year's Budget confirmed what had already been announced in the Pre-Budget Report; this included the new 50 per cent tax rate and reduction of personal allowances for high income earners.

"However, by funding a stamp duty holiday for first-time buyers with an increase in stamp duty on residential property sales of more than £1 million to five per cent, the Chancellor gave us a strong indication of where the election battle lines will be drawn.

"When it comes to raising government revenue, Labour clearly has high income earners in their sights, which is likely to lead to further tax rises and reductions in personal benefits," he added.

Gavin warns that measures to investigate the tax affairs of wealthy non-doms could also pre-empt wider investigations into the affairs of high earning individuals in the future.

"Tackling tax avoidance remains a key theme of the current administration, which was reinforced by enhanced penalties for offshore tax evaders," he comments.

"Although only a privileged few, including the controversial Tory donor Lord Ashcroft, will be affected, it indicates a new approach to raising revenues. The Chancellor has already forecast that signing new information exchange agreements with Grenada, Dominica and Belize, will raise up to £0.5 billion a year, while protecting £4 billion in tax revenues a year by 2013-2014. This adds to the £1 billion that has already been raised following a similar agreement with Liechtenstein," Gavin explains.



“With these kinds of revenues involved, it is simply a matter of time before the government starts focusing more closely on the tax affairs of other groups of wealthy individuals. Investigations into high earning General Practitioners, such as doctors and vets, are already underway, so we are advising business owners and other groups of professionals to get their tax affairs in order at the earliest opportunity,” he said.

Gavin says that although many of the Chancellor’s measures to help small businesses are to be welcomed, the reduction in Capital Gains Tax (CGT) for entrepreneurs could be a pre-election sweetener to soften the blow for big tax hikes in the future.

“Instead of increasing headline CGT rates as was widely speculated, the £1 million Entrepreneurs’ limit was extended so that gains of up to £2 million will qualify for a 10% rate,” he explains.

“This was totally unexpected and more cynical observers will now be questioning whether this is simply a ‘pre-election sweetener’ for small businesses, in the knowledge that a more difficult message will need to be delivered in the not too distant future,” Gavin said.

“Come the next Budget, it is possible that the headline rate of Capital Gains Tax will increase to closer align it with the top rate of income tax next year of 50%. The doubling of the CGT threshold for entrepreneurs in this Budget, therefore, offers a significant tax planning opportunity for business owners.

“At Target, we are already seeing an increasing number of deals as business owners push their succession plans forward to take advantage of the current CGT rates while they still can,” he adds.

ENDS

For media enquiries contact Corrina Cockayne at Target Chartered Accountants on 01225 486348, or e-mail corrina.cockayne@target-accountants.com.

Editor’s notes

Target Chartered Accountants

Target is a top 40* firm of chartered accountants working exclusively with entrepreneurial individuals and their businesses around the country. The firm has 14 directors and 180 staff working out of four UK offices in Bath, London, Reading and the Midlands. Established 11 years ago as a specialist tax consultancy, Target are now leading advisers in six core integrated service areas: Audit and Assurance, Business Services, Tax Planning, Corporate Finance, Financial Management and HR Consultancy. *(source: Accountancy magazine, 2010)

