

Briefing

Party political tax proposals

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Overview

The May 2015 general election has been trailed as one of the most important in the UK for some time, potentially setting a new direction of travel for the country. Tax is taking centre stage. Given the likelihood of a coalition government, the smaller parties could exert substantial influence on government policy and I therefore consider the policies of all the political parties that participated in the first leaders' debate.

As we approach the election, each of the parties seems to be bringing out new policies, apparently in an effort to trump each other and persuade the electorate that their party will improve voters' wellbeing. However, there is often little justification for how that supports the broader economy.

The main parties pledge to reduce tax avoidance and evasion by between £5bn and £7.5bn. But how will that be defined, let alone achieved? There is an appetite for change, but this needs to be workable and have the support of business and taxpayers, not knee-jerk reactions delivered in a hurry after the election. The taxation of those with non-domiciled status is coming under the spotlight, with changes likely whichever the colour of government and irrespective of the impact on investment flowing into the UK.

So, what do taxpayers – both individuals and businesses – need to think about before the election? It is not unusual for any new government to implement the majority of tax rate rises at the start of a parliament. Will tax rates increase sharply, thresholds change or new taxes be introduced after the election? Only time will tell.

Our comments are based on information available and analysed up to 20 April, and set out an overview of what the parties are proposing for businesses, private clients and in terms of general measures, as well as the action you might consider taking.

Business

Conservatives

Key tax policies:

- 'Make Britain the best place in the world to start a business by giving businesses the most competitive taxes of any major economy.'
- Commit not to increase the rates of VAT or NICs – at the time of writing, it is being reported that the Conservatives will pledge a law banning any rise in income tax, VAT or NIC during the lifetime of the next parliament.
- 'Keep our economy secure by running a surplus so that we start eliminating the deficit and keep taxes and taxpayers' own mortgage payments down.'
- Set a new, significantly higher, permanent level for the annual investment allowance.

National:

- Allow farmers to 'smooth their profits' for tax purposes over five years, up from the current two years, to counter income volatility.
- Keep the bank levy in place and restrict the ability of established banks to pay less tax by offsetting their profits against past losses.
- Continue to help smaller businesses take on new workers through the employment allowance, which exempts the first £2,000 of employers' NICs so that a third of employers pay no NICs.
- Oppose other parties' plans to increase corporation tax.
- Conduct a major review into business rates by the end of 2015 to ensure that from 2017, they properly reflect the structure of our

modern economy.

- Maintain the abolition of employers' NICs for the under 21s and next year for young apprentices under 25.

International:

- Ensure Britain continues to have the most competitive business tax regime in the G20.
- Lead international efforts to ensure global companies pay their fair share of tax.
- Review the implementation of the new international country by country tax reporting rules.
- Ensure developing countries have full access to automatic tax information exchange systems.
- Continue to build the capacity of tax authorities in developing countries.

Regional:

- Devolve certain tax-raising powers to cities including piloting permission for local councils in Cambridgeshire, Greater Manchester and Cheshire East.

Other:

- Make it a crime if companies fail to put in place measures to stop tax evasion and other economic crime in their organisations; make sure that penalties punish and deter such behaviour.

Labour

Key tax policies:

- No increase in rates of VAT or NICs.
- Raise a bank bonus tax.
- Pledge not to cut the main rate of corporation tax further.
- Remove SDLT for first time buyers on homes up to £300,000.

National:

- Rewrite the carried interest rules that allow private equity managers to pay CGT, rather than income tax.
- Close perceived loopholes in the Eurobonds rules, used by hedge funds to avoid stamp duty and which allow some large companies to move profits out of the UK and avoid corporation tax.
- Give tax rebates to businesses that sign up to paying the living wage in the first year of a Labour government.
- Scrap the 'shares for rights' scheme, which the Office for Budget Responsibility has warned could enable avoidance and cost £1bn.
- Tackle disguised self-employment by introducing strict deeming criteria.
- Tackle the use of dormant companies to avoid tax by requiring them to report more frequently.
- Raise a levy on tobacco firms.

International:

- Continue to have the most competitive rate of corporation tax in the G7.
- Force the UK's Overseas Territories and Crown Dependencies to produce publicly available registries of beneficial ownership.
- Make country by country reporting information publicly available.

Regional:

- Cut and then freeze business rates for over 1.5m smaller business properties.

Liberal Democrats

Key tax policies:

- Take tough action against corporate tax evasion and avoidance, including:
- Implement the planned new offence of corporate failure to prevent economic crime, including tax evasion, with penalties for directors up to and including custodial sentences;
- Levy penalties on firms proven to be facilitating tax evasion,

- equivalent to the amount of tax evaded by their clients; and
- Ask the Bank of England's Financial Policy Committee to consider the approach taken by banks around paying tax, whether in respect of themselves, their employees or in advising their customers. This would be part of their assessment of the risks posed by the sector, supported by an annual report by HMRC.

National:

- Make sure corporations cannot avoid their tax responsibilities.
- Plan for no increase in the headline rates of VAT or corporation tax.
- Ensure the tax system helps attract and retain jobs in the UK.
- Continue the banking levy and introduce a time-limited supplementary corporation tax charge on the banking sector.
- Adjust the tax system away from subsidy for high leverage debt and tackle the bias against equity investment.
- Remove a series of distortions, loopholes and excess reliefs, including 'dividend tax relief'.

International:

- Continue to reform business tax to ensure it stays competitive, making small and medium-sized enterprises the priority for any business tax cuts.
- Lead international action to ensure global companies pay fair taxes in the developing countries in which they operate, including tightening anti-tax haven rules.
- Improve tax transparency, including in low-income countries, by extending country by country reporting from banks and extractive industries to all UK-listed companies.

Regional:

- Introduce land value tax (LVT), which would replace business rates in the longer term and could enable the reduction or abolition of other taxes.
- Extend the business rates review to ensure it considers the implementation of LVT.

Other:

- Establish a low-carbon transition fund using 50% of any tax revenues from shale gas to fund energy efficiency, community energy, low-carbon innovation and renewable heat.
- Consult on and introduce a tax levy on tobacco companies so they fairly contribute to the costs of health care and smoking cessation services.
- Establish a coherent tax and regulatory framework for landfill, incineration and waste collection to drive continuous increases in reuse and recycling rates.
- Investigate the potential for other resource taxes, including deposit refund schemes.

SNP

Key tax policies:

- Reintroduce the tax on bankers' bonuses.
- Make proposals around the bank levy.
- Support an increase in the employment allowance from £2,000 per business to £6,000 per business per year over a four-year period.
- Examine proposals to maintain the annual investment allowance at a stable rate and consider if it can be maintained at £500,000 and extended until the end of the next Parliament in 2020.
- Back reduced employers' NIC.

Other:

- Back the retention of the video games tax relief.
- Back industry calls for an increase in the seed enterprise investment scheme investment limit.
- Use targeted changes in business tax allowances to encourage higher levels of investment in capital or research and

development, and encourage the growth of SMEs.

- Support a review of controlled foreign companies' exemptions.
- Oppose UK withdrawal from the EU. In any future referendum, there should be a double majority requirement where each of the four constituent nations of the UK would have to vote for withdrawal before the UK as a whole could leave the EU.
- Support examining a reduction in VAT for the hospitality sector.
- Demand that VAT on certain products is changed.
- Press for Police Scotland and Scotland's Fire and Rescue Service to receive the same VAT exemption as other forces.
- Press for the early devolution of air passenger duty (APD), with a reduction of 50% and longer-term plans to abolish APD completely.
- Support a levy on tobacco firms.
- Remain committed to a Treasury review of alcohol taxation to better reflect alcohol content, while securing health benefits through minimum pricing.
- Force 'an end to Tory and Labour austerity cuts' and support a modest public spending increase of 0.5% above inflation for each year of the next Parliament to enable investment in jobs and public services.
- Maintain Scotland's position as the best place to do business in the UK with a package of business rates relief.

UKIP

Key tax policies:

- Cut business rates for small businesses.
- Remove stamp duty on the first £250,000 for new homes built on brownfield sites.
- Take control of VAT, outside the EU, introducing zero-rate on certain goods and services previously chargeable to VAT, such as repairs to listed buildings.
- End the unfairness under which some large companies pay zero or negligible corporation tax.

Other:

- Remove VAT from repairs to listed buildings and ensure tax and planning policies support historic buildings and the countryside.
- End the practice of businesses paying tax in whichever EU or associated country they choose.
- Set up a Treasury Commission to monitor the effectiveness of the new diverted profits tax and bring in any further measures necessary to prevent large multinational corporations using aggressive tax avoidance schemes.
- Offer tax breaks to smaller breweries to encourage micro-breweries.
- Improve small business rate relief from business rates.
- Earmark community infrastructure levy income from shale gas operations for lower council taxes or local community projects.
- Levy petroleum revenue tax (currently 50%) on any shale profits and invest the income into a sovereign wealth fund, potentially to release older people from having to sell their homes to pay for care.
- Discontinue the carbon floor tax.

Green

Key tax policies:

- Maintain corporation tax for small firms at 20% while raising it to 30% for larger firms.
- Abolish the employees' NICs upper threshold, and reduce the rate of employers' NICs in the long run to 8%.
- Prohibit corporation tax relief on any part of a salary that exceeds the maximum allowed by the 10:1 ratio in that company, to make it harder for companies to pay excessive salaries.

- Crack down on tax evasion, especially in the informal economy and through non-payment of VAT.

Other measures:

- Take real action to end tax evasion and avoidance and transfer mispricing by transnational corporations, which 'steals resources especially from poorer countries'.
- Gradually phase out SDLT, council tax and the uniform business rate, and consider a LVT.
- Introduce a financial transaction tax to reduce destabilising speculation.
- Lower VAT for cooked food, entertainment and accommodation to the reduced rate (5%) to help small businesses in the tourism and restaurant businesses, costing £6bn a year.
- Reduce VAT on housing renovation and repair work (including insulation) to 5%.
- Increase alcohol and tobacco taxes to help fund the annual increases in NHS spending over the Parliament.
- Introduce a potential tax revenue generating system, which brings under state control the market for drugs currently banned under the Misuse of Drugs Act, starting with cannabis.

Green taxes:

- Decentralise the economy gradually, with a shift towards local taxes and distribution of wealth taking account of the industrial base, natural resources and environmental damage.
- Tax plastic bags and unnecessary packaging.
- End the tax exemption for aviation fuel or introduce a flight tax.
- Reintroduce the fuel duty escalator.
- End fossil fuel industry tax breaks.
- Levy eco-taxes on non-renewables or pollutants, the use of water by businesses and on waste heat from power stations.
- Use taxation and regulation to ensure that products and packaging are designed with a view to what happens to them when they stop being useful and so that packaging is reduced.
- Use carbon taxes (based on the present system) to fund energy-efficient investment.

Plaid Cymru

Key tax policies:

- Cut VAT for the tourism industry to make holidays 'at home' more affordable and attract foreign tourists.
- Double the bankers' levy.
- Transfer control over corporation tax arising in Wales to Wales.
- Introduce a financial transaction tax.

Other:

- Create a fuel duty regulator to prevent sudden spikes in fuel prices.
- Reduce VAT to 5% on certified housing renovations.
- Support a tax on sugary drinks and work with manufacturers to reduce sugar in food and drink.
- Investigate a windfall tax on payday lenders that can be used to promote credit unions and responsible lending.

Private clients

Conservatives

Key tax policies:

- Increase the tax-free personal allowance to £12,500, cutting income tax for 30m people.
- Increase the 40p income tax threshold to £50,000, removing 800,000 people from higher rate tax.
- Reduce the tax relief on pension contributions for around 300,000 people earning more than £150,000 – gradually reducing the allowance of £40,000 by £1 for every additional £2 of income to an allowance of £10,000 a year, effectively giving a marginal income tax rate of 67.5% between £150,000 and £210,000 for those

making contributions.

- Take the family home out of IHT 'for all but the richest' by raising the effective threshold for married couples and civil partners to £1m with a new transferable main residence allowance of £175,000 per person.
- Increase the annual tax charges paid by those with non-domiciled status, ensuring that they make a fair contribution to reducing the deficit and continue to tackle abuses of this status.

Other measures:

- Commit to not increasing income tax rates.
- Ensure there is a tax-free minimum wage in the UK for people working 30 hours per week.
- Introduce a new law so that the personal allowance automatically rises in line with the national minimum wage.
- Ensure the transferable allowance for married couples and civil partners (to transfer £1,060 of their tax-free income to their spouse, where the highest earner is a basic-rate taxpayer) will always rise at least in line with the personal allowance.
- Maintain the new freedom to use pension savings as the holder wants and pass them on tax-free.

Labour

Key tax policies:

- Reintroduce the 50% top rate of income tax for the highest 1% of people earning over £150,000 a year.
- Abolish the non-domiciled status rules so that all those who make the UK their home pay tax in the same way as other taxpayers, and only those who are genuinely temporarily resident in the UK can be taxed on just their UK income.
- Introduce a mansion tax on properties worth over £2m, the threshold rising in line with house prices for these properties, to help raise £2.5bn a year, and protect those on lower incomes by a right to defer the charge until the property changes hands.
- Reduce tax relief on pension contributions for people earning more than £150,000 – potentially with a cliff edge for those making contributions by reducing the relief to 20%, giving rise to a sizeable one-off tax charge when income increases by £1.

Other measures:

- Reintroduce a 10% starting rate of income tax.
- End the marriage tax allowance.
- Commit to not increasing basic and higher rates of income tax and NICs.
- Continue with 'help to buy' ISAs but require that the £bns saved are invested in increasing housing supply through a future homes fund.
- Abolish the 'bedroom tax'.
- Work with companies to ensure they pay taxes where they are due in developing countries.

Liberal Democrats

Key tax policies:

- Raise the personal allowance to £11,000 in 2016 and to £12,500 by the end of the next Parliament.
- Consider raising the employee NIC threshold to the income tax threshold, while protecting low earners' ability to accrue pension and benefit entitlements.
- Establish a review to consider the case for, and practical implications of, introducing a single rate of tax relief for pensions [contributions], which would be designed to be simpler and fairer and set more generously than the current 20% basic rate relief.
- Restrict access to non-domiciled status, increasing the charges paid to adopt this status and ending the ability to inherit it – raising £130m a year from 2016/17.

Other measures:

- Deal with a series of ‘distortions, loopholes and excess reliefs’ – including reforms to CGT and refocusing entrepreneurs’ relief.
- Ensure ‘the richest pay their fair share’ and stop low and middle income earners bearing the burden of tax rises: no plans to increase the headline rates of income tax or NICs.
- Introduce a UK-wide high value property levy, with a banded structure, like council tax, on residential properties worth over £2m, raising up to £1.5bn.
- Ensure pensioners who pay tax at the higher rate of 40% are not eligible for the winter fuel payment and free TV licence.
- Cut council tax by £100 for 10 years for householders who insulate their homes.
- Enable local authorities levy up to 200% council tax on second homes.

SNP

Key tax policies:

- Reintroduce the 50% top rate of tax.
- Abolish the non-domiciled tax status.
- Back a review of the pension tax relief available to the wealthiest.
- Introduce a mansion tax on properties valued at over £2m.

Other measures:

- Support increases in the personal tax allowance.
- Call on the UK government to move forward cautiously with plans to increase the higher rate threshold to £50,000, first ensuring that tax revenues are sufficiently buoyant.
- Reverse the married couples allowance.
- Abolish the ‘bedroom tax’ and halt the universal credit rollout.

UKIP

Key tax policies:

- Raise the personal allowance to at least £13,000, ending income tax on the minimum wage.
- Scrap IHT.
- Introduce a new intermediate tax rate of 30% on incomes ranging between £43,500 and £55,000.
- Refrain from introducing any form of mansion tax.

Other measures:

- Cut income taxes for middle earners.
- Abolish the ‘bedroom tax’.
- Increase the transferable personal tax allowance for married couples and civil partners to £1,300.
- Raise the threshold for paying 40% income tax to £55,000.
- Aspire to reduce the top rate of income tax to 40% and restore the personal allowance to all in the longer term.
- Charge 50% more than the applicable rate of council tax for those whose homes are empty for more than two years, with exceptions for those owners in the armed forces.
- Keep council tax as low as possible.
- Revise the armed forces terms of service to ensure personnel on operational duty overseas do not pay income tax.
- Welcome the current government’s pension reforms.

Green

Key tax policies:

- Introduce a wealth tax of 2% a year on the top 1% of the population whose wealth exceeds £3m, to raise about £25bn a year by the end of the Parliament – with an exemption for farmers with agricultural land worth less than £10m and for payment deferral for the cash poor until the sale of a property.
- Abolish the income tax personal allowance but pay everyone legally resident in the UK a guaranteed, basic income or pension,

non-means-tested and sufficient to cover basic needs.

- Raise the additional (top) rate of income tax to 60%.
- Abolish the non-domiciled status rules.

Other measures

- Abolish about half of the value of the concessions provided to private pension schemes in the form of income tax and national insurance reliefs, and use this to provide part of the money needed for the ‘citizen’s pension’.
- Abolish the CGT personal allowance.
- Reform IHT, turning it into an accessions tax. Bequests to individual recipients who have less than £200,000 would be tax-free. Abolish the IHT seven-year rules and tighten up the rules for trusts.
- Reform council tax, while keeping the change revenue neutral, adding two additional bands at the top for the homes worth more than around £2m and £4.5m, and with around two-thirds of people paying less, with substantial increases for those in homes worth more than £1m.
- Remove tax incentives on buy-to-let properties, including the deduction of mortgage interest as an expense, and reform the ‘wear and tear’ allowance to make investment less attractive and reduce pressure on house prices.
- Introduce new higher council tax bands for more expensive homes, with higher rates for empty homes.
- Raise the tax-free amount under the Rent a Room Scheme to £7,250 a year to increase the supply of small lets.
- Abolish the ‘bedroom tax’.

Plaid Cymru

Key tax policies:

- Reintroduce the 50p income tax rate for those earning over £150,000.
- Increase the level at which NICs are paid to the same level as income tax by the end of the parliament.
- Provide tax relief for self-employed workers undertaking training.
- End the 40% plus pensions relief for higher-rate taxpayers.

Other measures:

- Provide Wales with powers over income tax.
- Support the introduction of higher council tax charges for second homes up to 200%.
- Scrap the ‘bedroom tax’.

General measures

Conservatives

General avoidance and evasion measures:

- Raise at least £5bn from continuing to tackle tax evasion, and aggressive tax avoidance and tax planning.

Other measures:

- Establish the Office of Tax Simplification on a permanent basis and expand its role and capacity.
- Scrap the Human Rights Act, curtail the role of the European Court of Human Rights and make the Supreme Court the ultimate arbiter of human rights matters in the UK – with potential implications for tax law in defending citizens against the state.
- Give English MPs a veto over English-only matters, including income tax, answering the longstanding West Lothian question.
- Ensure those who can afford to pay the most do so, while acknowledging that the richest are paying a greater share of income tax than in any of the 13 years of the previous government.
- Continue to lead the world on tax and transparency.
- Continue to freeze the BBC licence fee ‘tax’.

- Devolve extensive new powers to Scotland, hand over more responsibility to the Welsh Assembly and implement the Stormont House Agreement in Northern Ireland.

Labour

General avoidance and evasion measures:

- Increase penalties for tax avoidance including new penalties for those who are caught by the general anti-abuse rule.
- Set out in the first Budget and Finance Bill plans to reduce tax avoidance and evasion by £7.5bn a year by the middle of the next Parliament.
- 'Close the loopholes' such as the so-called carried interest rules, increase transparency, toughen up penalties and abolish the non-domiciled status rules.
- Hold an immediate root and branch review of the culture and practices at HMRC.
- Receive from HM Treasury a draft Anti-Avoidance Tax Bill setting out the measures needed in 'Labour's ten-point plan' on the first day of a Labour government.
- Set in place the changes needed to reverse increases in the tax gap, with a target to reduce avoidance and evasion by £1.5bn a year;
- Receive a report from HMRC on the current measures and processes for tackling tax avoidance and evasion on the first day of a Labour government.
- Employ resources at HMRC more efficiently, by improving HMRC communications and transparency.
- Rebalance the tax system to reduce the emphasis on taxing hard work rather than unearned wealth, while stamping out abusive tax avoidance.
- Use taxes on the wealthiest, on banks and big business and on polluters, and bear down on tax avoidance, to limit the impact of deficit reduction on public services.

Other measures:

- Seek international agreement to make country by country reporting information publicly available, and act at home if agreement is not reached.
- Require British Overseas Territories and Crown Dependencies to produce publicly available registries of the real owners of companies based there.
- Consider how English MPs can have a greater role in the scrutiny of legislation that only affects England.
- Enable city and county regions to retain 100% of additional business rates raised from growth in their area.
- Devolve more power and control, not only to Scotland and Wales, but also to English cities and county regions: publish a Home Rule Bill to give extra powers to Scotland over tax, welfare and jobs; put Welsh devolution on the same statutory basis as Scottish devolution, with a clear principle that powers are devolved unless specifically reserved; and engage proactively with the Northern Ireland Executive to support continued political progress.

Liberal Democrats

General avoidance and evasion measures:

- Set a target for HMRC to reduce the tax gap and continue to invest in staff to enable HMRC to meet it.
- Introduce a general anti-avoidance rule which would outlaw contrived structures designed purely or largely to avoid tax.

Other measures

- Continue to make taxes fairer and simpler, help those on low and middle incomes, and ensure business and those on the highest incomes make a fair contribution.
- Incentivise sustainable behaviour and discourage pollution by increasing the proportion of tax revenue from green taxes.

- Deliver home rule to each of the nations of a strong, federal UK.
- Consider an English-only stage in legislation affecting England, so English MPs can have a separate say, on a proportional basis, on laws that only affect England.

SNP

General avoidance and evasion measures:

- Continue the crackdown on tax avoidance.
- Back measures to tackle tax avoidance, including early legislation to address tax dodging.
- Put forward measures to strengthen anti-avoidance law across the UK to ensure it is as strong as new Scottish legislation.
- Back an increase in staff resources at HMRC.

Other measures:

- Vote for revenue-raising measures.
- Argue for a fairer approach on taxation, with those with the very most contributing a little bit more.
- Favour a rolling review of tax reliefs as part of an ongoing programme of simplification of the tax system.
- Support calls for a global fair tax summit to agree international measures to tackle tax abuses.
- Oppose scrapping the Human Rights Act or withdrawal from the European Convention on Human Rights.
- Demand that the proposals of the Smith Commission are delivered quickly and in full.
- Seek agreement that the Scottish Parliament should move to full financial responsibility.
- Prioritise devolution of powers over business taxes, national insurance and other measures.
- Increase the shift towards allocating to Scotland revenues from taxes raised in Scotland.
- Deliver positive change for the benefit of ordinary people across the UK, not just in Scotland.

UKIP

General avoidance and evasion measures:

- See the items listed above in the business section on tackling corporate aggressive tax avoidance.

Other measures:

- Leave the EU, leading to greater control over tax policy.
- Hold the next chancellor's 'feet to the fire' on public finances.
- Replace the Barnett formula, resulting in substantial reductions in funding for Scotland, which can make its own decision as to whether to raise taxes or cut public spending to balance the books.
- Abolish green taxes and levies and withdraw from the EU's emissions trading scheme, reducing fuel bills and enhancing industrial competitiveness.

Green

General avoidance and evasion measures:

- Consider making the £2bn industry of designing, promoting and selling tax avoidance schemes illegal.
- Lead on bringing a Tax Dodging Bill before the next Parliament, designed to reduce the tax gap and establish a general anti-avoidance principle.
- Get serious about collecting tax, steadily increasing staff in HMRC by 15,000 per annum over the Parliament, in particular reopening local offices.

Other measures:

- Create a robust taxation system that promotes equality and sustainability.
- Support global efforts to develop a fairer global tax system.

- Ensure UK taxpayers' money is not used to fund bullfighting.

Plaid Cymru

General avoidance and evasion measures:

- Strengthen tax anti-avoidance legislation to make it harder for companies, individuals and other organisations to avoid paying their rightful amount.

Other measures:

- Seek the same deal as Scotland gets.
- Support Wales taking greater responsibility for raising and spending major taxes.
- Reverse the 25% cut in HMRC staff started by the last Labour government.

Possible actions to consider

Some potential actions to consider are listed below. However, a note of caution: tax changes introduced by a new government could be backdated to April 2015 or may come in part way through the tax year, so action before the election or the next Budget could potentially be caught by a subsequent change. Backdated forestalling provisions may make steps ineffective.

While actions should be driven by commercial and other non-tax factors, taking action in advance of the implementation of any potential changes to the system may be worth considering.

Steps for businesses:

- **Purchase of assets for capital allowances:** It is unclear what may change in this area, but where a higher annual investment allowance remains unused, it may be worth considering accelerating the purchase of capital expenditure eligible for capital allowances. The rules around the calculation of the relief available can be complex so advice may need to be taken.
- **Business income:** Whether you should defer or accelerate income so as to potentially have it taxed at a different rate will depend on your ability to choose when to take income and your view of the outcome of the election – a Conservative-led government that wishes to move towards lower rates or a Labour-led one that wishes to halt or reverse reductions. Either way the tax base is likely to widen not narrow, leading one to consider trying to accelerate the accrual of income.
- **Disposal of businesses:** With few firm proposals in this area, business owners may wish to await further developments. However, some may wish to consider accelerating the timing of the disposal of businesses and business property to try to help maximise the use of entrepreneurs' relief, in case it is capped, removed or the rate altered. Those already in the process of disposing of a business may wish to consider the potential benefits of making use of current reliefs before the election. Those already considering giving a part of their business away to family members, the potential for a new government to cap, remove or change the rate of relief for business property relief or agricultural property relief may wish to consider accelerating this process, though they should bear in mind the possibility of new anti-avoidance measures being backdated.
- **Restructuring:** If relief for loan interest is limited, raising finance by equity may become more attractive for the future.
- **Incorporation:** If a business is considering incorporating, it may be worth considering accelerating the decision; it is advisable to take advice on this.
- **Consider international business structures:** Where different tax jurisdictions are used, it may be sensible to review cross-border trading arrangements. This is likely to be relevant after the election too, regardless of which party takes power.
- **Salary sacrifice arrangements:** It may be worth reviewing and

putting measures in place before the election. This might help if employers' NIC rates were to rise, the employee's upper threshold were to disappear or income tax reliefs, such as the higher-rate relief on pension contributions, were to fall, or if future salary sacrifice arrangements become ineffective for tax purposes.

Steps for private clients:

- **Non-doms and the remittance basis elections and remittances:** Given the current government is consulting on the rules in this area, it makes sense to take advice on the timing of elections and when remittances are made.
 - **Non-doms residence in the UK:** If the non-domiciled rules are abolished, non-doms may wish to manage their UK tax position, including considering now how many days to spend in the UK.
 - **Taking income before the election:** It is not unusual for any new government to make most tax rate rises at the start of a parliament, so income that can be accelerated and earned prior to the election may be taxed at a lower rate.
 - **Cashing in gains before the election:** Making disposals before the election or a new government's Budget, rather than afterwards, may help to hedge against a potential rise in the CGT rate or potential reductions in reliefs or exemptions.
 - **Defer taking gains:** If a new government rewards longer-term investment holdings with a return to taper relief, holding onto assets may, subject to market conditions and changes in tax rates, prove more beneficial in the long run.
 - **Pension contributions:** Pension contribution relief and taxation of pensions are likely to continue to change, so individuals may wish to use up any available reliefs and as much of their lifetime allowance as possible in advance of the election or forthcoming Budget.
 - **Private residence:** Consider retaining, rather than downsizing, your main residence to maximise potential future IHT savings; however, where you are considering moving and the property value trips you into a band for a potential mansion tax, consider whether there will be any advantage in having two smaller properties rather than one larger one.
 - **Private residence disposals:** Given the evolving rules and discussions around tax relief on private residences, it makes sense to consider the potential timing on the disposal of any property in the UK (or abroad if you are UK resident) that is or has been an only or main residence (OMR) and the giving of any notice that a property is an OMR.
 - **Mansion tax:** If a tax on higher-value properties is introduced, owners would need to budget for a significant tax liability. Some owners are reportedly already considering whether their property could genuinely be split into separate properties or replaced by two or more properties, with a view to downsizing and renting out or selling the unrequired parts or properties.
 - **Reconsidering wills and gifts:** Given the wide range of possibilities for IHT, specific advice will be difficult until new proposals are announced. However, it may be a good time to consider whether any lifetime gifts should be made now to make use of available reliefs.
- Other:**
- **Anti-avoidance rules:** It seems certain that there will be further change in this area. Most of the parties have a desire to stop outright what they describe as avoidance. Businesses and individuals with complex affairs may wish to start reviewing the way they run their affairs, with a view to getting their house in order ready for a tougher regime.
 - **Disclosure of errors:** Use the existing disclosure facilities, such as the Liechtenstein disclosure facility, while they are available, to put right past errors before penalty rules change significantly. ■