

The image features the ACCA logo, which consists of the letters "ACCA" in a bold, white, sans-serif font. The text is centered within a solid red square. This red square is set against a black background, which is itself enclosed by a thin, gold-colored border.

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# The Tax Future



**NEW CHAPTER**

# The Tax Future

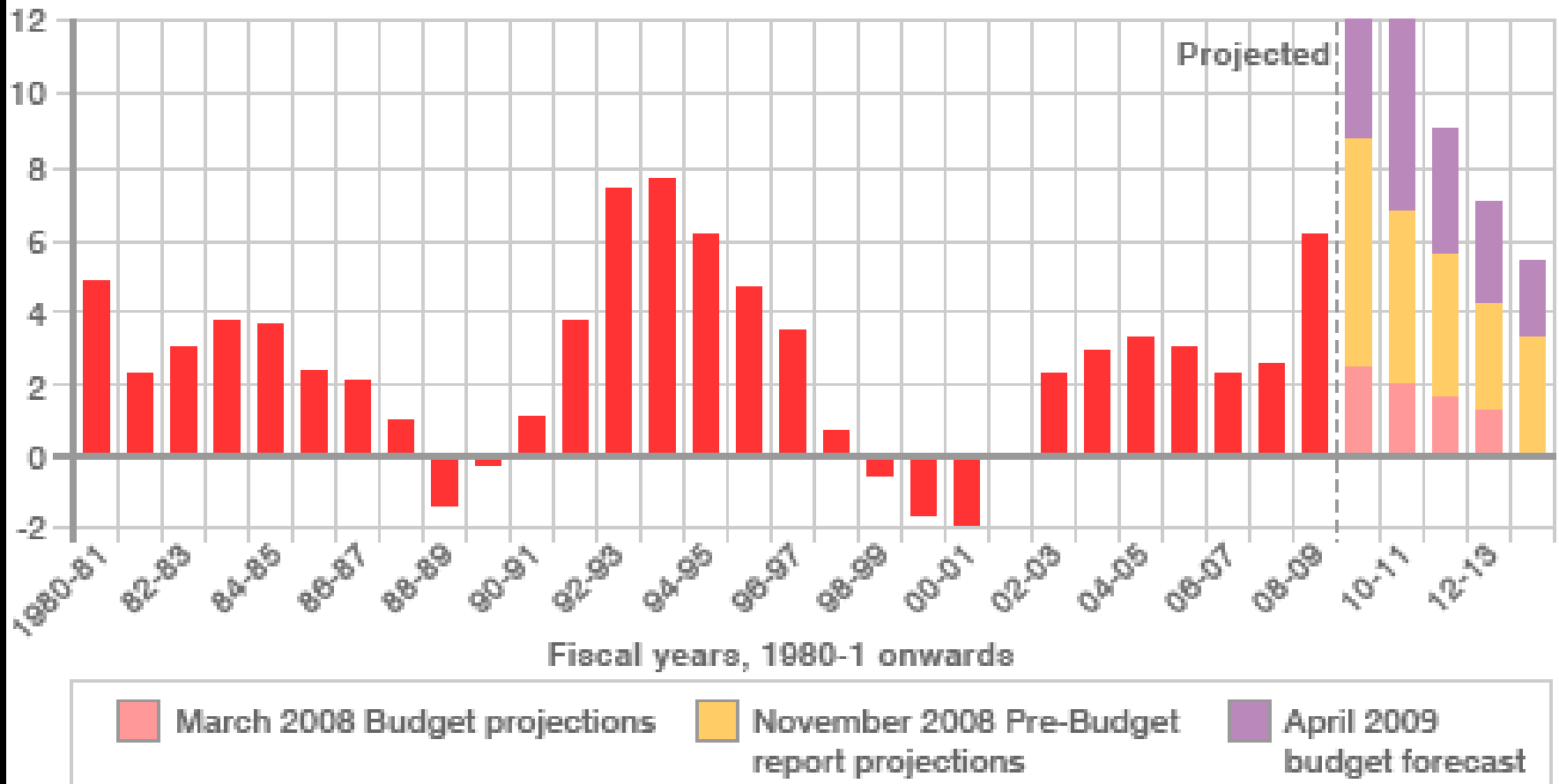
How did we get here

Where next

# The Tax Future

## UK BUDGET DEFICITS

Net borrowing, as % of GDP



SOURCE: HM Treasury; IFS

# The Tax Future

This is the tax future

Until 2008 Governments had a choice about tax rises

They had a choice about so called tax reforms

Until 2008

- we could introduce an 18% rate of CGT
- we could allow Nil Rate Bands for spouses and civil partners to be amalgamated
- we could maintain SDLT at 0 – 4%

# The Tax Future

On the non-capital taxes side we have significant increases announced

50% income tax rate above £150K and pensions relief at only 20%

No PA for £100,000 but without anti-avoidance re. pensions

VAT going back to 17.5%

# The Tax Future

The future taxation environment is likely to be driven by a disorderly tax grab

A large black hole needs filling with no easy way to bridge the gap.

From a capital taxes point of view what is next

Change will happen regardless of which party gets in

# The Tax Future



The whole world will be increasing taxes so will they notice the UK

As aside the UK is noticed everywhere due to our history – even Ethiopia

# The Tax Future

The prime candidates for increases will actually be in the non-capital tax area

VAT at 17.5% from 1<sup>st</sup> January 2010 will probably seem low in 12 months time 15% will seem like a tax haven rate

VAT at 19% - the German rate will probably be announced some say even higher

Income Tax will probably stay at the 2010 announced rates as will the 20% pensions tax relief

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But does a 4% SDLT rate seem like one which will stay

An even 5% looks possible

EU countries tend to have significantly higher rates e.g. Ireland 9%

But any SDLT is an additional impediment to business and free movement within the economy

And the small ad valorem tax on securities transactions is an unnecessary complication and additional cost for business

# The Tax Future

Capital gains tax at 18% seems like a rate waiting to increase

There is currently very low/negative inflation hence the no real gain to the exchequer from lack of indexation

We will also see a lot of tax planning activity around the income capital divide in the coming months and years

Fuelled by the 50% tax rate and the 20% pensions relief restriction

We have seen CGT being aligned with IT before and it could happen again

# The Tax Future

## Capital Gains Tax

It may be difficult for Governments to straight to 50% or 40% but a rise to 30% could happen

Although a 20% rate aligned to the basic rate band is more likely followed by increases if the rates differentials are “abused”

# The Tax Future

Offshore disclosures

The latest disclosure opportunity is the precursor tax administration globalisation

The UK regime is focused on bank accounts and untaxed interest

HMRC will not dig any deeper in the vast majority of cases where the income is declared

Similar to the US disclosure regime

The future is – quite correctly - you cannot hide you cannot run

# The Tax Future

Offshore disclosures

Italian disclosure regime goes after assets

It is assumed that the offshore assets were bought by tax evaded cash

The taxpayer then pays 5% on the acquisition value or market value

There is then the right of set-off of this payment against a future sale

# The Tax Future

## Trusts

We have seen so many fundamental changes in recent years

Not sure we will see much happening in the next year

Even if the current Government continues in power unlikely to see a significant amount in Finance Bill number 2 2010

# The Tax Future

## IHT

Since the spouse amalgamation of the nil rate bands probably no real change in 2010

If there is a Conservative Government then clearly there will be a manifesto promise to keep.

Will a combined nil rate band of £2million by say 2014 mean we need to unwind some of the planning we have in place

Could PETs disappear or be curtailed in order to offset some of the costs as the original non-doms levy already happened

# The Tax Future

## Tax Shift

The big focus for the future will be environmental taxes

The current 2.5% of GDP they represent will rise dramatically

But these taxes have a stigma of disrepute behind them

Any emphasis on them should mean a reduction in other taxes or less of an increase

Thus tax shift

Hence IT, CGT, SDLT should not increase and could in fact decrease

We are going to start seeing the new generation of these taxes with the showroom tax in 2010

# The Tax Future

## The PBR

The real impact will be in the environmental taxes area

Properties could see in future a levy imposed (show room tax equivalent) for inefficiency

General thrust of changes could have a wide ranging impact on capital taxes as the economic emphasis changes

# The Tax Future

The future of taxes is probably more uncertain today than ever before

But we are living through once in a life time events

The future landscape will almost certainly be a lot different

The crystal ball gazing in tax for a number of years ahead is certainly quite opaque but highly interesting

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