

85% REJECT ‘DEATH TAX’ – CHANGE IT OR SCRAP IT, GORDON!

27 March 2003: 85% of people want Chancellor Gordon Brown to raise the current inheritance tax threshold of £250,000 in next month’s Budget, according to an online survey conducted by accountants and business advisors PKF.

The booming housing market* has made significantly more homeowners liable for the 40% inheritance tax on property (48% of homes are worth £250,000 or more according to research by the Chartered Institute of Taxation). But inheritance tax makes a relatively small amount of money for the Government – inheritance tax brought in £596million for the last quarter of 2002, compared with £21,230million collected through income tax and capital gains tax. Scrapping inheritance tax would be a very popular move and would reduce administrative burdens.

Many European neighbours, such as France and Germany have significantly lower inheritance tax charges, whilst Italy abolished inheritance tax in 2001, so perhaps the Chancellor needs to take more far-reaching action in his imminent Budget to make the so-called ‘death tax’ a fairer system.

However, the Chancellor is likely to do little more than close loopholes which let some homeowners off the hook, such as giving assets away and use of trusts.

James Welch, tax partner at PKF, said: “It’s very possible that Gordon Brown will tinker with inheritance tax in this Budget but what’s really needed is a radical overhaul. With average house prices in many areas creeping up towards the £250,000 threshold lots more people are going to be hit by this tax. If you look at the bigger picture, inheritance tax is not a big earner for the Government, and scrapping it or at least doubling the threshold could be just the boost that depressed consumers need to offset other tough measures in this year’s Budget..”

* Average house prices in England and Wales rose 22.24% in the last three months of 2002, according to the Land Registry, for further information go to www.landreg.gov.uk.

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Notes to editors:

1. PKF is one of the UK's leading firm's of accountants and business advisors and specialises in advising the management of developing private and public businesses. The firm has more than 1,500 partners and staff operating in over 25 offices around the country. Principal services include assurance and advisory; consultancy; corporate finance; corporate recovery and insolvency; forensic; and taxation. The firm has particular expertise in advising sectors such as small and medium sized companies; charities; hotels and leisure; medical; professional partnerships; public sector; and technology. The firm's web site is www.pkf.co.uk.
2. PKF also offers financial services through its FSA authorised company, PKF Financial Planning Limited.
3. PKF is a member of PKF International, which has more 12,800 people operating in over 100 countries around the world.
4. For information and comment on the Budget go to [Budget 2003: http://www.pkf.co.uk/budget](http://www.pkf.co.uk/budget)