

BDO Calls for Tax Transparency in General Election Campaign

No-one should be anticipating tax cuts but tax reforms remain imperative

Disappointingly, in the run up to the General Election, now called for Thursday 6th May 2010, all the major and, indeed, the minor political parties have not been as forthcoming about their tax proposals as they could have been and, in particular, how they intend to raise taxes as a component of the reduction of the UK's £178 billion fiscal deficit.

Stuart Lisle, Tax Partner at BDO LLP in Southampton comments: We should look both to history and to the public pronouncements of the political parties to obtain an insight into what they might do in the absence of adequate policies to bring down the fiscal deficit. This means that an incoming Conservative Government would look firstly to VAT; a re-elected Labour Government would look to raise direct taxes and national insurance; whilst the Liberal Democrats would look to more extensive green taxation and, possibly, additional property taxes.

He continued: Just because neither business nor the individual tax payer can realistically expect significant tax cuts for the foreseeable future, this does not mean that tax reform and tax simplification should not feature as significant grounds for debate between the parties.

In our view, the tax imperatives must include:–

" Significant simplification of business taxation: both for multinationals and owner managed businesses.

" A cut in the rate of corporation tax to below 25 per cent, paid for, in the short term, by decelerating reliefs for capital expenditure. This is essential in light of the UK's deteriorating competitive tax position for increasingly mobile international businesses.

" Encouragement for medium term and long term savings (including ISAs and pensions) through the tax system to reverse some of the restrictions which have recently been introduced.

" The establishment of an attractive tax system for entrepreneurs and non-domiciled investors and business leaders which ensures that the UK has the most favourable tax regime within the G20.

" No increases in the short term and reductions in the medium term of taxes which discourage the creation of employment such as employers' national insurance contributions.

" An acceptance that lower tax rates for both businesses and individuals should be favoured over complex targeted reliefs.

" The acceleration and clarification of the HM Treasury's consultation on a Tax framework for business issued in February 2010 to ensure that sufficient information is provided to business on the policy principles which will be applied in the future by HM Treasury and HM Revenue & Customs.

" The issue of a complementary Tax framework for personal tax payers by HMT and HMRC which clarifies their policies on tax planning and tax avoidance. This has become increasingly important following the introduction of the non-domicile taxation reforms, the use of anti-forestalling provisions and HMRC's stance upon certain tax enhanced investment products.

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For more information, please contact Zoe Mitchell: zoe@lcm.co.uk or call 0845 345 6969

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