

Will Darling or Osborne give you a better deal?

Whoever wins, the general election result will affect our finances. **Paul Windsor** reports

With less than three months until the general election, it makes sense to consider how the major political parties differ on tax – and how much of our money they intend to let us keep.

Last week the Tories published an eight-point plan for the economy, while Labour has finally bitten the bullet on income tax and its repeated promises not to increase income tax have been discarded. It seems that the main parties are all aligned with this strategy on income tax, with the Conservatives making a statement about “keeping the new 50pc rate for now” and the Liberal Democrats taking a silently approving stance on the new top rate.

It is also clear when reading between the lines that none of the parties will do anything to reverse the Government’s stated policy of removing the personal income tax allowance from April 2010 for those earning more than £100,000.

Sadly, there is not a lot of clear blue water between the parties on income tax – so what are the key tax differentiators between the three main parties?

Property is certainly on the tax agenda. The Liberals led the charge last year with Vincent Cable’s vote-losing annual property tax proposal – dubbed the “mansion tax” by one and all. This tax would be charged at 1pc each year on the value of property owned over £2m – not dissimilar to the wealth tax charged in many continental jurisdictions.

The Lib Dems also want to increase revenues from capital gains by

severely reducing the capital gains tax annual allowance, currently worth £10,100, and reverting to a higher rate of tax on gains, effectively increasing the rate from 18pc to 40 or even 50pc. Investment landlords beware!

The Labour party has also been running with a new tax on house values – a local property tax to replace the current council tax, we are told. This appears to be in the wake of the Burt report on local government finance. They also talked about extending the stamp duty land tax holiday on properties below £175,000 but this reverted to £125,000 on January 1 this year.

The Conservatives, on the other hand, seem to be the only party to have avoided additional tax burden on property owners. They want to put a freeze on council tax for the next two years and want to abolish stamp duty for first-time buyers acquiring properties worth less than £250,000, to try to stimulate this section of the residential market.

More importantly, it remains Conservative policy to raise the Inheritance Tax (IHT) threshold to £1m from the current £325,000 per person, taking many ordinary home owners out of the IHT net and removing the need for taxpayers to put complicated part ownership structures in place for many family homes.

Delving into broader tax issues, the conservatives seem set to reduce corporation tax to 25pc (and 20pc for small companies) and cut National Insurance contributions, while the Lib Dems want to talk about local income taxes which they say would be fairer than council tax, a reform of business rates, tax on pollution and National Insurance charges on all benefits in



All the parties badly need to demonstrate that they can balance the books

kind – all clear revenue raisers for the exchequer.

No doubt the Government’s position will be clarified in the Chancellor’s spring budget. The tax profession is expecting some draconian legislation in the new Fiscal Responsibility Act which will provide the legal means to crack down on bankers’ bonuses as well as further inroads into the use of offshore tax havens. The worry is that the same onerous tax legislation will drive large swaths of the financial services industry away from our shores and thus lead to an overall reduction in the tax take.

In the end, all the parties badly need to demonstrate that they can balance the books and repair the country’s balance sheet, so the next five years are likely to be painful for taxpayers. The one area that all parties do, however, seem to be agreed upon is the simplification of the tax system. Unfortunately, that was a stated aim of the Labour party and they have presided over the grossest expansion of red tape and legislation ever seen.

So it is not unreasonable to question whether the well-intentioned policies of politicians will ever be achieved.

☛ Paul Windsor is a partner at [WSM](#) tax specialists



Source: Sunday Telegraph (Money and Jobs)
Edition:
Country: UK
Date: Sunday 7, February 2010
Page: 6
Area: 679 sq. cm
Circulation: ABC 525088 Weekly
BRAD info: page rate £34,000.00, scc rate £80.00
Phone: 020 7538 5000
Keyword: WSM

> durrants

Rivals for the hot seat: Alistair Darling, the Chancellor (left), and George Osborne, who wants to take over at the Treasury

JEFF OVERS/BBC/GETTY IMAGES

