



# ELECTION SPECULATION: MANIFESTOS AND TAX PLEDGES

27th November 2019



LANCASTER KNOX

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Voters of the United Kingdom will go to the polls on Thursday 12 December, in the country's first December General Election since 1923. Although there are some clear areas at the fore of many politicians' minds (dare we mention 'The B Word'?), it is important not to lose sight of the wider issues at hand.

As ever, manifesto pledges are not legally binding, and the devil is always in the detail when it comes to implementation. Notwithstanding, there are a number of tax and related announcements in the three main political parties' manifestos worth bearing in mind.

This flyer takes a look at the key tax pledges made by the Conservatives, Labour and the Liberal Democrats. Manifestos have also been released (at the date of publication of this flyer) by the Green Party, Plaid Cymru and the Brexit Party, with the Scottish National Party to follow imminently.

### CONSERVATIVE PARTY

In an unusually-timed Sunday manifesto release, the Conservatives have been rather quiet on tax announcements. Having already known about the previous 'shelving' of the reduction in the rate of Corporation Tax from 19% to 17%, a notable omission from the manifesto was an increase in the higher-rate threshold to £80,000.

The slimmed-down manifesto does contain a promise not to increase income tax, National Insurance or VAT – a so-called 'triple-lock'. In what many will see as a safe, minimalist manifesto, it is unsurprising that Brexit and the NHS took centre stage in Boris Johnson's 14-minute launch speech. We can, however, expect a review of Entrepreneurs' Relief—though any further detail on this is very limited.

It seems, therefore, that we will have to wait to see whether any substantial changes in tax policy will be introduced if the Conservatives do win a majority after 12 December.

### Labour party

Much discussion has been had in recent weeks as to where tax rates and allowances may rise or fall. Labour are asking those in the top 5% of earners, which they calculate as earnings above £80,000, to "pay a little bit more", which is interpreted as the current top rate of income tax of 45% applying above this. No specific mention has been made of the widely-touted 50% rate of tax for those earning over £125,000.

The Labour Party also promise to align the rate of tax applicable to dividends with normal income tax rates; bringing Capital Gains Tax within income tax rates above a greatly-reduced annual exemption of £1,000; and scrapping Entrepreneurs' Relief.

A previously-speculated abolition of Inheritance Tax and replacement with a lifetime gift tax does not feature in the manifesto; but we can expect the residence nil-rate band to be scrapped.

Labour's document "Funding Real Change" does confirm a previously-announced intention to increase the rate of Corporation Tax from the current 19% to 26%. A reintroduction of a small profits rate is proposed, set at 21% for companies with profits below £300,000.

As well as the main manifesto document, Labour's "Fair Tax Programme" sets out more detail on what the electorate may expect from a Labour government, including:

- A public register of trusts and a review of penalties for non-compliance
- Extension of the public register of beneficial company ownership to include all shareholders, rather than just those with a 25% or greater interest, and restrictions on non-UK corporate directors
- Public filing of personal tax returns for those earning over £1million
- Entirely scrapping the non-dom regime in a first Labour Budget
- A 20% levy on non-UK companies and trusts acquiring UK property, projected to raise an extra £3.3billion per year

In addition, Labour proposes a levy on holiday homes of 200% of the property's Council Tax rate, and a reversal of the current Married Couples' Allowance.

## LIBERAL DEMOCRATS

The Lib Dems sit somewhere in the middle of the three main parties, with more tax announcements than the Conservative Party, but, without such extensive proposals as Labour.

Perhaps most notably, the Liberal Democrats propose a 1% increase in income tax rates. This would, at least notionally, be used to fund health and social care services in an arrangement known as hypothecation. In addition, like the Labour Party, the Liberal Democrat manifesto suggests scrapping the Married Couple's Allowance.

Although the Liberal Democrats also propose an increase in the rate of Corporation Tax, this is set at 20% - a 1% increase on the current 19% rate. They also propose to bring Capital Gains Tax in line with income tax rates. Many will also be pleased by the manifesto promise to review the loan charge and changes to IR35.

Unsurprisingly, much of the Liberal Democrats' manifesto focuses on stopping the UK's departure from the EU, though this should not be seen as the party's sole area of focus.

## SUMMARY

It would be disingenuous to suggest that the 2019 General Election does not have Brexit at its heart: Boris Johnson wants to get his "oven-ready" deal through Parliament with a Conservative majority; Jo Swinson is unequivocal in the Liberal Democrats' promise to revoke Article 50 if they win a majority; and Jeremy Corbyn has now announced that he would take a neutral stance during a second referendum.

However, it should not be forgotten that this vote may shape the UK political scene for the next five years. The NHS, crime and tax are among some of the biggest issues the parties have to face, in a climate of particular hostility and lack of trust in the current political system. We continue to have conversations with clients and advisors to consider what tax changes may mean for them, their families and their businesses; and we await with anticipation the outcome of the 12 December election.

## HOW LANCASTER KNOX CAN HELP

Although the outcome of the election and resultant tax changes remain to be seen, clients are nonetheless continuing to consider their options for structuring their personal and business affairs. Our highly knowledgeable team would be delighted to hear from you to discuss our experiences in this area and share our thoughts as to possible strategies that can best prepare you for a changing tax landscape.

## CONTACT US

James Heathcote is Director of Private Client Advisory at Lancaster Knox, advising high net worth individuals and families across the spectrum of personal taxes. He is a member of the Association of Tax Technicians, the Chartered Institute of Taxation and the Family Firm Institute. He would be delighted to discuss your circumstances with you.



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