

Tax Corner with Lancaster Knox

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Hunting for the Capital Gains Tax Crystal Ball

I'm sure it won't have passed you by that the Chancellor of the Exchequer, Rishi Sunak MP, has written to the Office of Tax Simplification ("OTS") requesting a review of the Capital Gains Tax ("CGT") regime. This is hardly surprising, with the Government needing to bolster its finances for a post-Covid recovery. The scope of the review is very broad, and HM Treasury is clearly of the view that there is a multitude of options for simplifying the regime and generating additional income.

Of course, no one knows what the recommendations of the OTS will be, or how many of those will be taken up by the Government. Nonetheless, now is still the time to consider clients' tax positions and to think about what might be down the road.



• Boris Johnson appeared to rule out a wealth tax during Prime Minister's Questions – but increased taxation based on the value of assets can come in many guises, so don't rule out something that looks like a wealth tax under a different name.

• There is a significant and growing body of advisors who expect the rate of CGT to be aligned with income tax. This would partly return the regime to the pre-2008 standard, but is likely to be exceptionally unpopular with high earners who might see their CGT rate increase to 45%.

• There is a clear allusion in the scoping document to Family Investment Companies ("FICs"), of which HMRC are already acutely aware and suspicious. As well as possible changes to the taxation of gains made by FICs, there may also be wider recommendations around income tax and corporation tax. We'd recommend structures are reviewed well in advance of any potential changes.

• The Chancellor has requested that CGT be reviewed in terms of its interaction with other taxes. Previous suggestions have included the abolition of the tax-free base cost uplift on death, so we can expect there to be wide-ranging considerations put forward by the OTS.

These are just a few of our thoughts on what we might expect to see from the OTS review, but there really is no crystal ball. Nonetheless, it is incumbent on us as advisors to prepare for seemingly inevitable change and to begin those conversations with our clients in good time.

Get in touch:

As always, please do not hesitate to get in touch if you would like to have a confidential discussion about anything private client tax-related.

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