

## **What tax changes might happen after the election**

May 2017

Now that the Conservative Party manifesto has been published, we have a longish document which gives a few clues as to the direction of travel over the next five years – if the opinion polls are right!

The aspiration is to be a low tax government, but there are few concrete proposals, other than to re-commit to an increase in the personal allowance to £12,500 by 2020 and to increase the level at which individuals go into higher rate tax to £50,000 by the same time. For companies, the plan is to reduce the rate of corporation tax to 17% by 2020.

There is an intention to clamp down on tax avoidance with a mention of tougher regulation of tax advisory firms and taking a more proactive approach to the transparency and misuse of trusts. The manifesto talks of simplifying the tax system, something all governments say but rarely achieve!

There is an intention to promote long term savings products, including pension products and lifetime ISAs. The manifesto recognises the need to boost education and improve the country's competitiveness and mentions boosting spending on research & development (R & D) to 2.4% of GDP, the OECD average, and setting up university investment funds to help develop university spin-off businesses. It also introduces a plan to boost investment for digital start-ups using EIS and SEIS investment tax reliefs.

The manifesto pushes out the date when the country's deficit is planned to come into balance until 2025. There appear to be quite a few spending commitments and it is acknowledged that there is going to be considerable uncertainty over the next two years at least with Brexit negotiations.

With the manifesto light on detail, what might happen? Here are a few ideas:

- Further pension / long term savings incentives aimed at lower earners, possibly at the expense of tax relief for higher earners.
- Additional tax privileged investment opportunities, probably more suitable for higher earners.
- More R & D tax relief opportunities for businesses.
- A longer tax code – that is what “simplification” usually means – particularly when anti-avoidance legislation is introduced.
- A possible merger of income tax and NIC.

- Pressing ahead with “Making Tax Digital” (MTD.)
- Further stealth type tax-raising measures – this feels like a tinkering type Government in waiting.

As usual, if you have any questions, please let us know by contacting Martin Ruskin or Michelle Meredith on 01803 618310 or [mruskin@wmfp.co.uk](mailto:mruskin@wmfp.co.uk).

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