

news release



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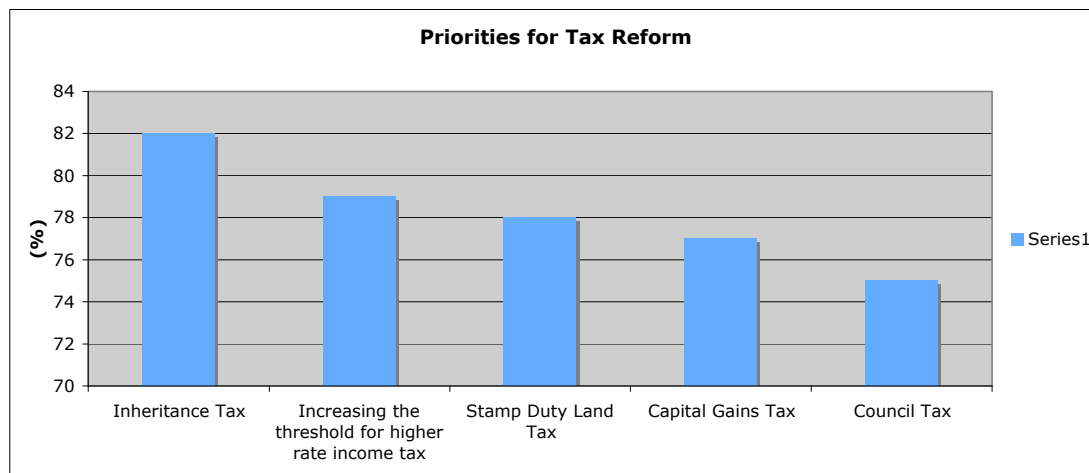
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INHERITANCE TAX TOP PRIORITY FOR REDUCTION, REVEALS NEW RESEARCH

- **82 per cent of taxpayers see Inheritance Tax as the top priority for reduction**
- **More than 70 per cent of owner-managers opposed Darling's original CGT plans, revealing the extent of their unpopularity**
- **Two-thirds think it fair that private equity managers now face a higher tax bill**
- **84 per cent think first time buyers ought not to pay Stamp Duty Land Tax**

Cutting Inheritance Tax is the top priority for tax reform, according to research by chartered accountants MacIntyre Hudson. 82 per cent of more than 200 taxpayers surveyed identified the tax as a priority for reduction when the Chancellor is in a position to cut taxes. 83 per cent believe that Inheritance Tax is an unfair tax on wealth that has often been built up out of post-tax income.

Other priorities for tax reform identified by the research were increasing the threshold for higher rate income tax (supported by 80 per cent), lowering the rate of Stamp Duty Land Tax (78 per cent) and reducing the Council Tax burden (75 per cent).



No support for Inheritance Tax

Not only do taxpayers want IHT reduced, but only 15 per cent believe that it is a fair tax which reduces inequality. Over 90 per cent of respondents were in favour of the Chancellor's new measure to allow the unused IHT allowance of a married or civil partner to be transferred on death to their surviving spouse. This measure gives married couples a total IHT allowance of £600,000, rising to £700,000 by 2010.

The research reveals that taxpayers believe that the threshold above which IHT becomes payable needs to rise dramatically from its current level of £300,000. More than 80 per cent support the Liberal Democrat proposal of a £500,000 threshold and 70 per cent support the Conservatives' proposal to raise the threshold to £1m. Revealingly, even Labour sympathisers came out in favour of Liberal Democrat and Conservative proposals, with 88 per cent of Labour supporters in favour of a £500,000 threshold and more than half supporting a £1m threshold.

Nigel May, Tax Principal at MacIntyre Hudson, comments:

“The fact that the majority of Labour sympathisers support Lib Dem and Conservative policies for more dramatic increases in the threshold underlines the unpopularity of the current IHT regime. While the majority support the Chancellor's decision to make the IHT allowance transferable between spouses upon death, the support for a higher threshold indicates that Darling needs to go much further.”

CGT: extent of unpopularity revealed

Ahead of the Chancellor's concessions in January, more than two thirds of taxpayers thought the proposed 18 per cent flat rate of Capital Gains Tax in place of taper relief and indexation was a bad idea. More than 70 per cent of current or former owner-managers were opposed to the Chancellor's reform, with three-quarters believing it would deal a heavy blow to Britain's entrepreneurs. Almost half of those who are entrepreneurs said the new rate would make them think twice about setting up a business. This strong opposition to Alistair Darling's proposals in the Pre Budget Report demonstrates how crucial it was for him to announce significant concessions.

Patrick King, Tax Principal at MacIntyre Hudson, comments:

"These findings illustrate how deeply unpopular Alistair Darling's original CGT reforms were, and why he had to soften the blow with Entrepreneurs' Relief. With even the majority of Labour sympathisers (58 per cent) agreeing that Darling's original plans would deal a blow to the entrepreneurial spirit this Government has fostered, it is clear why he had to bow to opposition and introduce concessions."

Private equity managers ought to pay more tax

The research also found a general consensus that private equity managers should pay more tax. They will now pay a flat rate of 18 per cent on all gains above the £9,200 annual allowance, as opposed to an effective rate of 10 per cent under taper relief. Almost two thirds of respondents agreed that the 18 per cent flat rate was fairer in this respect.

Nigel May comments:

"Unfortunately, the original reason for the Chancellor's scrutiny of CGT seems to have been forgotten. The furore over private equity managers paying less tax than their cleaners spurred the Chancellor on to consider reforms. However, as Lib Dem shadow chancellor Vince Cable has pointed out, private equity managers will still pay less tax than their cleaners, as the new 18 per cent rate is still lower than the basic rate of income tax. Alistair Darling's reforms will cause significant collateral damage without fully addressing the original issue."

First time buyers should not pay Stamp Duty

Almost 80 per cent of taxpayers think that Stamp Duty Land Tax is a high priority for tax reduction. Under the current system, Stamp Duty is payable at 1 per cent of the value of houses worth more

than £125,000, rising to 3 per cent and 4 per cent for houses valued at more than £250,000 and £500,000 respectively. 84 per cent of taxpayers support the Conservative proposal to scrap Stamp Duty for first time buyers of properties valued at up to £250,000. Tellingly, 88 per cent of Labour supporters are also in favour of the Conservatives' proposal – compared with 85 per cent of Conservative supporters – indicating strong support for a much higher threshold.

Patrick King comments,

“The level of support, even among Labour sympathisers, for a higher threshold on Stamp Duty indicates how unpopular this tax has become. In the current climate, with first time buyers struggling to get a foothold on the property ladder, raising the threshold for Stamp Duty ought to be a priority for the Chancellor.”

- **Ends** -

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Notes to Editors:

About MacIntyre Hudson

MacIntyre Hudson LLP is a top 25 UK accounting firm, offering a full range of compliance and advisory services to owner-managed businesses through to multinationals. The firm has 47 Principals and 320 staff situated in 9 offices located across the Midlands, Home Counties and London. The firm is the UK member of CPA Associates International Inc with member firms worldwide, and is registered to carry on audit work and regulated for a range of business activities by The Institute of Chartered Accountants in England and Wales.

About the Survey

The MacIntyre Hudson survey was conducted during January 2008, via an online questionnaire, and was completed by 228 people in business and as personal taxpayers. More than half of the survey respondents were current or former business owner-managers.