# ATT welcome, June 2015

Welcomes

01 June 2015

May you live in interesting times...

## So, yet another Budget and another round of predictions and projections

The Chancellor has announced that the second Budget for 2015 will be on 8 July, not even four months from the last Budget and already the pundits are gathering to predict what will happen.

There are two sides of the coin – the upside is where we will be focused – possible tax breaks, but this early in the parliament it's the golden opportunity to get the bad news out in the open and for us to see the flip-side of the coin, how George Osborne is going to tackle the deficit (forecast at £75 billion this year) and, more particularly, how to knock the £12 billion off the welfare budget to help balance the books. For us that means probable tax increases. Osborne has said that it will be a 'one-nation Budget for working people'. Interesting words, which may give us a clue about how he will tackle this Gordian knot of welfare spending. Will he, like Alexander the Great, slice through the problem with bold measures (possible child tax credit and child benefit cuts)?

## So, what about tax?

The Conservatives have already said that they will raise the personal allowance to £12,500 in this new parliament and there is plenty of pressure to raise the higher rate threshold too, so that hole in the government finances has got to be plugged from somewhere. Some help will come from employment. Official figures this May showed unemployment had fallen to a seven-year low of 5.5% and a record 31.1 million people are now in work.

But the promise not to raise income tax, national insurance and VAT will box the Chancellor into a corner.

There are plenty of predictions about the possible raising of the IHT threshold to £1 million in this new parliament and that will appeal to middle England.

In terms of capital allowances, we need to hear about what will happen in January 2016 when the currently very generous AIA expires.

There’s also the other side to the tax coin – possible tax rises, to help balance the books – the media have also seized on the generous tax relief available for contributions to personal pension schemes and we have already had announcements about the lifetime allowance from 2016, so a possible restriction of tax relief to the basic rate only may be considered.

## And what about tackling tax avoidance?

I have to say that inflamed rhetoric is likely to produce more smoke than light in this arena and I’ve been increasingly struck how the government, politicians and the media weigh in to bash the bad guys without precision in their often intemperate language. Why can’t they adopt the straightforward lexicon of the 2011 GAAR committee of mitigation, avoidance, abuse and evasion?

Every political party promised a crackdown on avoidance in the run-up to the general election. Around £5 billion was a popular number which, interestingly, the IFS described as ‘aspirational’ and I still can’t get my head around the tax gap including ‘legal interpretation’of over £4 billion. I’m a simple man and I don’t think it belongs in a tax gap calculation.

Diverted Profits Tax (DPT) looks interesting too. Like carbon pricing, the UK has chosen unilaterally, as far as I can see, to start implementing the OECD Base Erosion and Profit Shifting (BEPS) project with this bold move – own up and pay CT at 20%, or squirm and be bashed at 25%.

I do think, though, that this is better than the astonishing move by Starbucks to ‘voluntarily’ pay CT in the UK (by foregoing some allowable tax deductions and if that wasn’t a move to protect its brand, I don’t know what is. ‘We listened to our customers,’ a Starbucks spokeswoman said!).

Dare I dream that a simple solution might be in order – how about all the OECD countries (and as many others as can be leaned on) agree to a worldwide CT rate of 15%. Then I wouldn’t have to worry about 6% of my coffee price being sucked out of the UK by way of IP rental on the green twin-tailed mermaid (or siren) logo to another member state with a considerably lower rate of CT than ours.

As I said – may you live in interesting times