



Election 2019: what the Labour Party manifesto means to you

With a general election confirmed for 12 December, the political parties are now in the process of launching their manifestos.

The **Labour Party Manifesto 2019** and accompanying document '**Funding Real Change**' sets out a number of radical policies. We summarise below the key tax policies announced.

Taxation of individuals

Income and capital gains tax

In his foreword, Jeremy Corbyn outlines the intention to "tax the top 5% of earners to fund the services provided to the general public". Those who earn more than £80,000 a year are likely to see rises in their income tax liabilities, while freezing National Insurance and income tax rates for everyone else. Previously announced proposals of an 'excessive pay levy' of 2.5% on earnings above £330,000 and 5% on those above £500,000 could be introduced.

Arguably the most radical changes would be that a new Labour government would seek to end what it perceives as the existing unfairness caused by taxing returns from wealth at lower rates than income rates. As such, they propose to tax capital gains at the same level as income tax and abolish the lower income tax rate for dividend income.

Entrepreneurs' relief would be abolished and the new government would consult as to a "better form of support" for entrepreneurs.

The existing annual capital gains tax allowance would be abolished and replaced with a de minimis £1,000 exemption. A form of tax free indexation relief would be introduced for investments.

Inheritance Tax

The new Labour Government will reverse the reforms introduced by the Conservative government which resulted in the introduction of the transferable residence nil rate band.

As such family homes worth up to £1 million would not be able to be transferred free of inheritance tax on death where they are directly inherited.

Non-doms

There are no explicit proposals in the Manifesto around changes to the taxation of non-UK domiciled individuals, but given previous comments and the reference in its 'Fair Tax Programme' around abolishing this status, it should be considered a real possibility.

Second homes

There are proposals for a new national levy on second homes used as holiday homes at 200% of the current Council tax level. Also they suggest giving Councils power to tax properties empty for over a year.

Taxation of businesses

Corporation tax

A new Labour administration would reintroduce a small profits rate for firms with a turnover under £300,000 a year. The rate of corporation tax would be raised to 21% from April 2020 rising to 26% with effect from April 2022. The small profits rate would be kept at 19% in April 2020, rising to 21% in April 2021.

As regards multinational corporations, Labour proposes treating groups of companies under common ownership as unitary enterprises so that profits are treated as arising where economic activity occurs or value is created.

The proposals include a thorough review of corporate tax reliefs, to report after 6 months with a view to generating £4.3bn of savings by 2024.

A phasing out of Research and Development (R&D) tax credits for large corporations and the Patent Box is also proposed, whilst keeping the R&D tax relief for smaller companies.

Business rates

To seek to alleviate the burden of business rates for high-street retailers and others, a Labour Government will review the option of a land value tax on commercial landlords as an alternative.

Other notable tax proposals

VAT

The Manifesto states that a future Labour Government guarantees no increase in VAT.

Tax avoidance, transparency and reliefs

The Labour administration propose to launch “the biggest ever crackdown on tax avoidance and evasion”. They have previously published a comprehensive tax transparency and avoidance programme, which includes extending the register of beneficial ownership, a specialised Tax Enforcement Unit in HM Revenue & Customs (HMRC), minimum standards for Crown Dependencies and overseas territories and a withholding tax for ‘abusive’ tax havens

They also propose to reform the “inefficient system of tax reliefs”.

Stamp Duty

Stamp Duty reserve tax would be extended to foreign exchange and derivative trades and certain other derivative interests.

Energy

A new Labour Government will introduce what they refer as a “windfall tax” on oil companies, proposing to use these funds to help cover the costs of remedying ecological damage.

Apprenticeship levy

Labour states it will make it easier for employers to spend the Apprenticeship Levy by allowing it to be used for a wider range of accredited training in line with guidelines set by the Institute for Apprenticeships and Technical Education and government’s wider priorities for the economy.

Education

The Manifesto reports that a new Labour Government will close what it perceives as the tax loopholes enjoyed by private schools, with such private schools also coming within the VAT regime.

Offshore property company levy

There is also a reiteration of their intention for an “Offshore Company Property Levy”, presumably applicable to UK property held by vehicles in ‘secrecy’ jurisdictions.

How can we help?

The future tax system in the UK after the election may look very different to how it currently stands.

We have dedicated specialist teams across the areas highlighted above that can help you understand the impact for you and navigate through the changes.

The timing of commercial decisions such as asset sales given the wide ranging capital gains proposals should be considered in particular

Any questions? Get in touch



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