

The Labour Party has retaken power: What will be the effect on your tax bill?

So, the election results are in and the Labour Party won the country's mandate to form a new parliament. What could that mean for the tax you pay?

Will there be an emergency budget?

Labour will likely set out their initial plans in an 'emergency' budget. This is unlikely to happen before September or October as the Office of Budget Responsibility (OBR) will need 10 weeks to prepare independent forecasts on the plans.

Further details will no doubt emerge over coming weeks, but here's a review of what looks likely in the main tax areas based on their manifesto.

Income tax changes

- No increase to income tax rates.
- Pension reforms are planned.
- No mention has been made about the tax-free allowance.

National Insurance Contributions (NIC)

- A promise has been made not to increase employees' NIC.

Business tax

- A roadmap for business taxation will be published in coming weeks.
- Full expensing and the Annual Investment Allowance will be kept. Some further details to come that

should clarify the qualification criteria.

Corporation tax

- Corporation tax to be capped at the current main rate of 25% (paid by companies with profits of £250,000 and over) for the whole of the next parliament. This may hint that there are increases to come for companies benefiting from the small profits rate or marginal relief.

VAT

- No increase to the VAT rate.
- VAT will be applied to private school fees.

Capital Gains Tax (CGT)

- Nothing has been specifically mentioned on CGT rates or reliefs.
- The 'carried interest tax loophole' will be closed. This mainly affects private equity executives who receive a stake in the funds they manage rather than traditional remuneration.

Inheritance tax

- No expected changes to current rates or reliefs.
- The use of offshore trusts to avoid inheritance tax will be ended.

Stamp duty land tax

- The existing surcharge on purchases of residential property by non-UK residents will increase from 2% to 3%.
- Perhaps this hints that further down the line there will be increases for UK residents too.

If you are concerned that any of these changes may affect you, please contact your accountant or tax advisor.