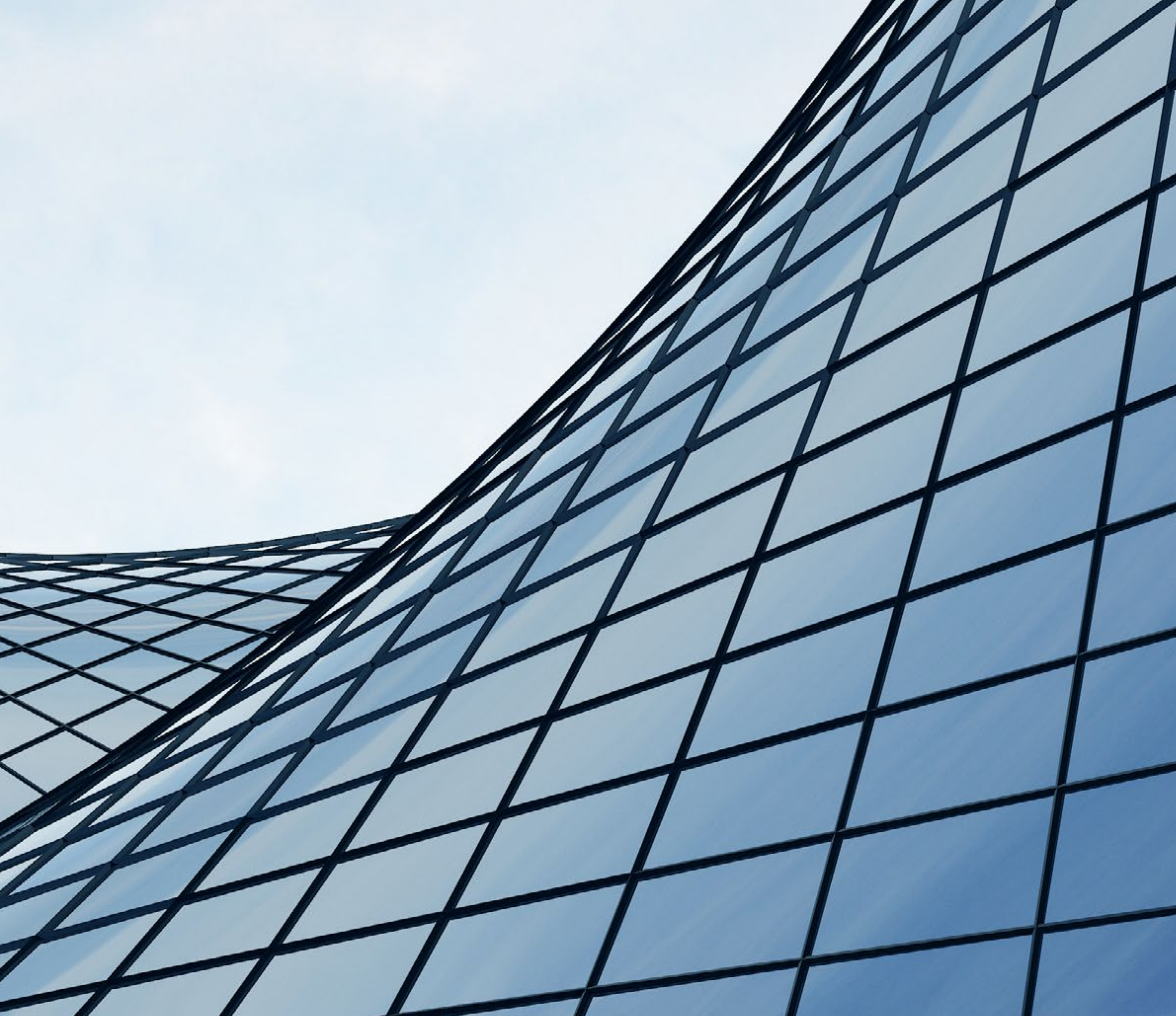
TAX AND THE GENERAL ELECTION 2024: THE MANIFESTOS

JUNE 2024



INTRODUCTION

On 22 May 2024, UK Prime Minister Rishi Sunak announced that the UK would hold a general election on 4 July. In the weeks following that announcement, there has been mounting speculation regarding the tax measures that each party might adopt if successful. During the week commencing 10 June, the incumbent Conservatives, Labour and the Liberal Democrats have each launched their election manifestos, setting out (amongst other things) their stances on tax policy for the next Parliament.

Unsurprisingly, the manifestos are consistently light on detail, and afford more of an indication of each party's intended destination rather than a detailed roadmap for getting there. What follows is an overview of the tax landscape following the launch of the manifestos, including key tax-related announcements and notable omissions, and a side-by-side comparison of each party's pledges on tax.

Weil offer no views on the merits (or otherwise) of any of the measures summarised in this paper.

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Conservatives

KEY TAX-RELATED ANNOUNCEMENTS

The key announcements reflect the Conservatives' stated intention to "stick with [their] plan", and include a commitment to not increasing corporation tax, income tax, capital gains tax (**CGT**) or value added tax (**VAT**).

The Conservatives have pledged to take another 2p off employee National Insurance contributions (**NICs**) (currently 8%) by April 2027, noting that this is the next step in the party's long-term ambition to abolish NICs entirely. The Party has also pledged to abolish the main rate of Class 4 NICs payable on self-employed profits (currently 6%) by the end of the next Parliament.

The Conservatives have reiterated their commitment to maintaining the windfall tax on oil and gas companies until as late as 2028-29, and to maintaining North Sea investment allowances.

Proclaiming that "small and medium-sized businesses are the lifeblood of our economy", the Conservatives will deliver a "ten point plan" to support SMEs which includes the retention of key tax incentives such as Business Asset Disposal Relief (formerly Entrepreneurs' Relief), the Enterprise Investment Scheme, the Seed Enterprise Investment Scheme and Venture Capital Trusts.

The manifesto also includes a pledge to abolish Stamp Duty Land Tax (**SDLT**) for first-time buyers for homes worth up to £425,000.

The Conservatives have committed to raising at least a further £6 billion a year by tackling tax avoidance and evasion.

NOTABLE OMISSIONS

The manifesto omits any mention of changes to Inheritance Tax, and nothing is said regarding any further changes to the "non-dom regime" following Chancellor Hunt's Spring Budget announcement that the remittance basis of taxation for non-domiciled individuals would be abolished and replaced with a residence-based system from April 2025.

Labour

KEY TAX-RELATED ANNOUNCEMENTS

With a focus on "turning the page" and delivering economic stability, Labour have made commitments to not increasing income tax, NICs or VAT.

Labour have also confirmed that they would cap corporation tax at the current rate of 25% for the entire Parliament, but do not rule out taking further action if other countries "pose a risk" to UK competitiveness.

As widely anticipated, Labour have pledged their commitment to closing the perceived CGT carried interest "loophole" for private equity managers, which treats returns as capital gains. Labour estimate that this measure will raise around £5.2 billion to fund public services. Whilst no further detail regarding the proposed rate is set out in the manifesto, there have been rumours in the press and speculation in the private equity industry as to whether Labour would apply the top 45% rate of income tax, a lower existing income tax rate or a new rate specifically introduced for these purposes.

In order to fund their "Green Prosperity Plan", Labour would increase the current rate of the Energy Profits Levy (**EPL**) by 3%, and remove certain investment allowances available to oil and gas companies. Labour also plan to extend the "sunset clause" on the EPL until the end of the next Parliament, but will retain the Energy Security Investment Mechanism meaning the EPL could be switched off earlier if oil and gas prices fall to historically normal levels for a sustained period.

Labour have also committed to abolishing the "non-dom" status once and for all and replacing it with a "modern" scheme, as well as ending the VAT exemption and business rates relief for private schools.

NOTABLE OMISSIONS

The manifesto omits any statements or commitments regarding CGT generally (other than in respect of carried interest, as mentioned above).

The manifesto does not provide further detail regarding a reformed "non-dom" scheme, nor does it comment on the proposed implementation date for the end of the VAT exemption for private schools.

Liberal Democrats

KEY TAX-RELATED ANNOUNCEMENTS

In a stated drive to “make the tax system fairer” and encourage “productive investment” in public services and the broader economy, the Liberal Democrats have targeted big banks and big business with their proposals to:

- introduce a 4% tax on share buyback schemes of FTSE100 companies;
- restore the Bank Levy and Bank Levy Surcharge revenues to 2016 levels in real terms;
- increase the Digital Services Tax (**DST**) on social media firms and other tech giants from 2% to 6%; and
- introduce a windfall tax on super-profits of oil and gas producers and traders.

With the stated aim of raising £5 billion per year to fund a rescue package for the NHS, the Liberal Democrats have proposed a new CGT system comprising three rates of: 20% (for gains up to £50,000); 40% (for gains between £50,000 and £100,000); and 45% (for gains over £100,000), as well as an increase in the CGT-free allowance from £3,000 to £5,000 and the introduction of an inflation allowance.

The Liberal Democrats have also pledged to reduce income tax “when public finances allow” by raising the tax-free personal allowance (currently £12,570).

NOTABLE OMISSIONS

The manifesto omits any mention of changes to Inheritance Tax, SDLT (aside from the charge for overseas purchasers of second homes noted in the accompanying table) or general VAT rates and thresholds.

The manifesto does not provide any commitment not to raise taxes.

	Conservatives	Labour	Liberal Democrats
Business taxes	No increase to corporation tax Introduce "ten point plan" to support SMEs Extend "full expensing" to leasing Maintain existing Research and Development tax reliefs	No increase to corporation tax Close private equity "loophole" where carried interest is taxed as capital gains Retain permanent "full expensing" system for capital investment and the annual investment allowance Publish roadmap for business taxation Replace business rates system	Introduce 4% tax on share buybacks of FTSE100 companies Restore Bank Levy and Bank Surcharge to 2016 levels Increase Digital Services Tax from 2% to 6% Impose sewage tax on water companies Replace business rates with Commercial Landowner Levy
Oil and gas tax	Keep current windfall tax on profits of oil and gas companies in place until 2028-29, unless prices fall Maintain existing investment allowances regime	Extend the windfall tax until end of next Parliament, scrap the investment allowance and raise rates by 3% Retain the Energy Security Investment Mechanism	Introduce a "proper" windfall tax, potentially by scrapping investment allowance "loophole" and raising rate to 40%
Anti-avoidance	Tackle tax avoidance and evasion to raise at least a further £6 billion a year	Tackle tax avoidance by increasing regulation and reporting requirements, strengthening HMRC's powers and investing in technology Renew focus on tax avoidance by large businesses and the wealthy Support global minimum corporation tax rate of 15% (i.e., Pillar 2)	Help HMRC tackle tax avoidance and evasion Support global minimum corporation tax rate of 21%
Personal taxes	No increases to income tax or CGT rates	No increases to income tax Abolish "non-dom" status Close private equity "loophole" where carried interest is taxed as capital gains	Raise income tax personal allowance and (potentially) unfreeze income tax thresholds Introduce three rates for CGT based solely on gains (20% for up to £50,000; 40% for £50,000 to £100,000; 45% for over £100,000), increase tax-free allowance from £3,000 to £5,000, and introduce an inflation allowance
Employees and contractors	Further 2p cut to main rate of employee NICs (from 8% to 6%) by April 2027 Abolish main rate of Class 4 NICs (currently 6%) for self-employed people entirely within five years Abolish NICs entirely, when fiscal conditions allow	No increase to NICs Replace existing Apprenticeship Levy with a Growth and Skills Levy	End the "Loan Charge" for disguised remuneration loans Review employment rights of workers in the "gig economy" Offer staff of large listed companies right to participate in employee benefit trust schemes Replace existing Apprenticeship Levy with a skills and training levy
Pensions	Introduce "Triple Lock Plus" and the "Pensions Tax Guarantee"	Maintain the Triple Lock for pensioners	Maintain the Triple Lock for pensioners
Property taxes	Abolish SDLT for first-time buyers for homes worth up to £425,000 Maintain Private Residence Relief No increases to rates or levels of SDLT for homeowners Introduce two-year temporary CGT relief for landlords who sell to their existing tenants	Apply SDLT surcharge of 1% for overseas residents purchasing UK residential property	Allow local authorities to increase council tax by 500% for second homes Apply SDLT surcharge for overseas residents purchasing second homes Scrap the 'Bedroom Tax'
VAT	No increases to the rates of VAT Keep the VAT threshold (currently £90,000) under review	No increases to the rates of VAT Remove VAT exemptions (and business rates relief) for private schools	Remove VAT exemptions for private and premium-class flights Reduce VAT on public charging of electric vehicles to 5% Remove VAT for children's toothbrushes and toothpaste Review the option of exempting colleges from VAT
Inheritance tax	Not covered in manifesto	End use of offshore trusts to avoid inheritance tax	Not covered in manifesto
Miscellaneous	No new green levies or charges, and no frequent flyer levy Provide a "Family Home Tax Guarantee" Create more Freeports and Business Rates Retention zones Ensure creative sector tax incentives remain competitive	Commit to one major fiscal event a year and subject every major fiscal event to an independent OBR forecast	Reform taxation of international flights and introduce "super tax" on private jets

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