
From:

Sent:

25 June 2014 10:17

To:

Subject:

FW: Implementing a capital gains tax charge on non-residents - response from

From: Adams, Sarah [HMT]

Sent: 15 April 2014 18:39

To: TaxTeam, CapitalGains (CAR Capital Gains)

Subject: RE: Implementing a capital gains tax charge on non-residents

Sarah Adams | Head of Enterprise Investment | Enterprise and Property Tax | 020 7270 5549

From:

Sent: 15 April 2014 17:42

To: Adams, Sarah - HMT

Subject: Implementing a capital gains tax charge on non-residents

Dear Sarah,

Moving to my main purpose, I have just read the consultation document on "Implementing a capital gains tax charge on non-residents", probably because I've long been irritated by various of the absurdities of the UK housing market. I have come to believe the top end of London residential property market has become the UK's answer to the proverbial Swiss bank account in providing a secret, safe haven source of tax free income/gains for non-residents: pretty much a national scandal. When this country wishes to adopt the stance of leading the charge against tax havens and in favour of tax transparency the move to set up this CGT tax charge and establish withholding arrangements represents, in my opinion, a great step forward.

I am not qualified to respond in detail to the consultation points you have raised. The impression I get is that the report is a thoroughly workmanlike document, that is from the start of chapter two onwards. I want to comment on the early parts of the document. The forward and chapter one seem to me to contain the most glaring oxymoron. This is encapsulated in a single sentence:

"The government recognises that this change is not straightforward to introduce. For this reason, the charge will apply from April 2015, and only to gains arising from that date."

Forget all the guff about Fairness, Sustainability and Simplicity. Non-residents still get a special deal, a separate system involving apportionment of gains which will create employment for professional services firms willing to bend the facts to their clients' advantage. It is only this non-productive activity which will be sustained. It is ridiculous and counter to the stated objectives. I only hope the advertised plan to apply CGT "only to gains arising from that date" is a revenue raising ruse not to "frighten the horses" by provoking premature selling which could harm the tax base. If it is not, I suggest there are also strong public policy reasons, in addition to reasons of Fairness, Sustainability and Simplicity, for causing concern to incumbent owners about returns from the upper end of the property market. Doubt has to be cast on "the greater fool" theory which seems to be driving prices ever upwards. Given that it seems no action is going to be taken in time to prick the current bubble to raise interest rates for fear of potential damage to the over-indebted, the imposition of the tax might just bring enough supply on to the market before April 2015 to send a

wake-up call to those willing to chase prices ever higher. So I ask that you really do make the tax Fair, Sustainable and Simple.

While writing on the subject of taxation of residential property I would also like to suggest the imposition of a cap on the relief/exemption from tax for one's primary residence. Isn't £5 or even £10 million enough? A £10 million lifetime limit on Entrepreneur's Relief, a lower rate of tax not even an exemption from tax, is considered appropriate. By what good public policy should accidental private gains accruing to the supine by reason of wealth or good fortune alone be treated better than the creation of wealth by effort, the benefit of which is spread to the community by employment creation?

I hope these comments may be useful

Best wishes