

Press release



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ACCA sets out tax manifesto

A ten point charter aimed at delivering fundamental reforms to the UK's tax system was announced today by ACCA (the Association of Chartered Certified Accountants - the leading global provider of accountancy training and the UK's foremost adviser to the small business sector.

ACCA's proposed reforms are set out below:

1. UK needs a Tax Policy Committee

Tax change should be driven by a Tax Policy Committee (TPC) which would operate along the lines of the Monetary Policy Committee (MPC). Government would set the overall economic framework of the tax environment and the TPC would work on adjusting the tax system as appropriate, with a view to long-term simplification.

2. Tax avoidance – uncertainty is no answer

Tax legislation should be clear and unequivocal. It is unhelpful for businesses, individuals and tax practitioners to hear the Government use the term 'unacceptable tax avoidance'. Tax avoidance by definition is legal, tax evasion is illegal. There should be clarity in the Government's position and certainty in the legislation.

3. European Court of Justice – a new era in tax law

The impact of ECJ decisions on UK tax law is of concern. Instead of reacting to ECJ cases on an ad hoc basis, Government should adopt pro-active reform to ensure the tax system is fundamentally compliant with EU law. This approach would help to eliminate uncertainty for business and positively engage the UK in the development of EU tax policies.

4. Have one full budget per Parliament and not one per year

Annual budgets add new regulations and undermine the process of strategic business planning. ACCA believes that one budget per Parliament would best serve the interests of corporate and personal taxpayers and enable them to plan for the future. Government already sets long-term spending plans via its Comprehensive Spending Review, and a four yearly budget would complement this process. This would be accompanied by short, focused annual budgetary reviews.

5. Self-assessment – give incentives and encourage e-filing

The move to self-assessment across most of the tax system is part of a global trend. But the UK system is largely sanctions-driven. It should be modified to create new incentives for early payment. For example, early filing could be rewarded by the tax inquiry ‘window’ being closed sooner. Although internet filing should be encouraged and simplified, it should not be made mandatory.

6. Competition is good: the tax arena is no different

Corporation Tax rates have broadly halved in the past 20 years due to international competition. It is crucial that the UK remains competitive and an attractive location in which to do business - the success of Ireland’s 12.5% corporation tax rate in attracting internationally mobile businesses shows the importance of this. At an EU level, governments should work to remove barriers to trade within the single market that are caused by unequal tax regimes.

7. Stamp duty – don’t penalise mobility

With the housing market beginning to cool off and prices sliding, there is no justification for maintaining the current stamp duty system, which penalises people’s mobility. There should be an immediate review of the illogical system of thresholds, whereby a £249,000 house purchase deal is subject to 1% tax, while a £250,000 purchase incurs a 3% charge on the whole price. As with Income Tax, the higher rate should only apply on the percentage of the purchase price above the threshold.

8. Inheritance tax – no longer just an issue for the rich

Rising property prices have drawn more people than ever into the inheritance tax regime. The Government should respond to this development by extending to inheritance tax a similar exemption to that which currently applies to the individual’s main residence under capital gains tax. This simple change would remove one of the greatest inequities of the inheritance tax system and reduce the burden on ordinary taxpayers.

9. Be flexible - don't discriminate against different business structures

In a dynamic business environment, it can sometimes become inappropriate for a business entity to remain as a company. Given that incorporating can occur without tax cost, it is unfair to levy a tax penalty on companies which decide to pursue a different structure. More flexibility here would help to boost entrepreneurship.

10. 100% Capital Allowances are important – reinstate them!

ACCA believes the 100% capital allowances for investment by Small to Medium Sized Enterprises (SMEs) in information and communications technology - abolished on 1 April 2004 - should be reinstated immediately. Capital allowances are the most effective government initiatives for providing grants and investment.

Commenting on the Tax Manifesto, ACCA Chief Executive Allen Blewitt, said:

“This manifesto reflects, through the experience of our membership, the key concerns of companies throughout the UK. It provides a timely reminder to all political parties that a simplified tax system works well for business and personal taxpayers. The clear message is that certainty and fairness in tax regulation delivers stability within the economy and the best possible climate for wealth creation and employment growth.”

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Notes to editor

1. ACCA is the largest and fastest-growing international professional accountancy body and has over 345,000 members and students in 160 countries.

ACCA experts are available for media comment on all aspects of UK and international accounting, auditing, tax, small business, environmental reporting, corporate governance, business law and public sector finance.