Capital Gains Sunset Clauses

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When former Prime Minister Gordon Brown cut capital gains tax to 10% for assets held for more than two years, business rallied to the boost from Labour's former "prudent" Chancellor.

Who would have thought that the arrival of a Conservative Premier could lead to not only a reversal of that reduction, but an increase from the current non-business rate of 18% to 40%? Some are even suggesting it could go as high as 50%.

Of all the expert comments made in the media since this move first came to light, it speaks volumes that "legalised theft" is one of the more printable. Words like "nuts" and "appalled" have also been used. Some economics editors reporting the responses have been forced to use the asterisk an unprecedented number of times.

The new Conservative-led coalition Government wants to make this non-business rate more in line with income tax and when the detail comes out, we can expect to learn it covers such assets as second homes, including holiday homes and buy-to-lets, as well as shares and investment funds, but not including ISAs.

With the Blue side of the union taking this stance and the Liberal Democrats seeking to lower the level at which capital gains tax becomes payable from the current £10,100 to as low as £2,500, potentially quadrupling those who will find themselves facing a bill to an estimated one million.

The eyes of anybody with assets likely to qualify will be on the emergency budget when it arrives on June 22 and this, along with the proposed increase in VAT, will be a significant element.

So what could the new Government do to appease those who will be affected when announcing the changes? On face value, there seems to be very little.

But look back to the recent reduction in VAT and the little-used sunset clause in the policy, which stated an end date to that cut and a return from 15% to 17.5%. Everybody knew where they stood and how long this measure, aimed at getting the wheels turning again, would last.

The changes to capital gains tax would be brought in as part of the Government's proposals to reduce the deficit and should not be seen as a permanent increase, so what about a sunset clause that will allow for a glimmer of light at the end of the tunnel?

If the Tories are to hit hard and fast with their cuts, in the hope of regaining their popularity during the latter years of this electoral term, then ensuring such tax rises have an end date will help them to do so, at least as far as this policy is concerned.

There are ways of sheltering assets from capital gains tax, such as utilising pensions, venture capital trust investments, or spread betting on the rise or fall of shares or currency. But some of these methods are risky and not to be taken lightly and without expert advice.

So far, there has been no indication that a sunset clause, or any other appeasement will come in the emergency budget that David Cameron promised within 50 days of his taking office. However, if George Osborne, the quiet man of the Conservatives' election campaign, is to prove the wise

Chancellor, then surely it must be a consideration.

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