

UK General Election December 2019: manifesto tax pledges

A digest of the tax pledges made by the Conservative, Labour and Liberal Democrat parties in their election manifestos and related documents for the 2019 election.

The 2019 UK General Election will take place on 12 December 2019. The major political parties have now published their manifestos and associated documentation, with tax and tax avoidance/evasion being key themes in some. The table below sets out the principal manifesto tax pledges of the Conservative, Labour and Liberal Democrat parties.

Conservative	Labour	Liberal Democrat
Corporate and business taxes		
Maintain corporation tax at 19% (rather than reducing to 17% in 2020) – note that this will require a change of law	Raise the main rate of corporation tax to 21% from April 2020, 24% from April 2021 and 26% from April 2022 Reintroduce a small profits rate for firms with a turnover under £300,000 a year at 19% in April 2020, rising to 20% in April 2021 and 21% in April 2022	Reverse the cutting of Corporation Tax from 20% to 17% and keep the rate stable with a predictable future path
Carry out a programme of investment in education, infrastructure and technology, to create a high-wage, high-skill, low-tax economy.	Labour will adopt a “unitary approach” to multinational groups, treating corporate groups under common ownership as unitary enterprises, so that profits are declared where economic activity occurs and where value is created.	Simplify business taxation to lower administration costs – supporting smaller companies.
Redesign the tax system so that it boosts growth, wages and investment and limits arbitrary tax advantages for the wealthiest in society	Labour would conduct a review of corporate tax reliefs conducted by the Treasury. It will be informed by an expert panel which will include representatives of HMRC, the Office of Tax Simplification, the National Audit Office, and external stakeholders including trade union representatives, business organisations and taxation experts such as the CIOT, AAT and ICAEW	Support growth in the creative industries, including video gaming, by continuing to support the Creative Industries Council and tailored industry-specific tax support
Implement the Digital Services Tax	Labour will phase out R&D tax credits for large corporations and the Patent Box over this	Improve the (yet to be introduced) Digital Sales Tax to ensure tech

	Parliament (while keeping the R&D tax relief SME scheme)	giants pay their fair share
Increase the Employment Allowance for small businesses from £3000 to £4000	Labour Government would launch a twelve-month independent inquiry into the UK finance sector to “tackle practices that have caused public concern”: the role played by participants in the finance sector, including hedge funds and private equity; how good our regulation is; and whether the rules for our finance sector need changing	Ensure the tax system meets the needs of a modern economy and is ready for the transition to a digital and zero-carbon economy
Consider how to improve the working of the Apprenticeship Levy	Conduct a comprehensive review of existing Advance Thin Capitalisation Agreements (ATCAs), agreements that aim to give multinational companies certainty about elements of their tax liability “but are often used by companies to avoid taxation”. Labour will adopt a general presumption against making these deals, with the aim of drastically reducing the number of ATCAs.	Review recent proposals to change the IR35 rules
Continue the Seed Investment Enterprise Scheme and Enterprise Investment Scheme for the next Parliament	Remove the ‘trading exemption’ capital gains tax loophole for foreign investors in UK commercial property: Labour would “close this loophole by removing this exemption” and replacing it with an exemption targeted at small investors with a £1m limit	Reform the “place of establishment rules” to stop multinationals unfairly shifting profits out of the UK
Increase the R&D tax credit rate to 13% and review the definition of R&D so that investments in cloud computing and data are incentivised	Tightening anti-enveloping rules: introduce a £1m limit on the application of the 25% <i>de minimis</i> to the application of the UK tax on capital gains on the sale of shares in a UK property rich company by foreign investors	Support the growth of new jobs and businesses in the tech sector by allowing companies to claim R&D tax credits against the cost of purchasing datasets and cloud computing
Ensure that the tax system	Entrepreneurs Relief will be scrapped and consult on a	

<p>rewards entrepreneurship</p> <p>Review and reform Entrepreneurs' Relief (recognising that it is a measure that has not fully delivered on its objectives)</p>	<p>better form of support for entrepreneurs which is not largely just a handout for a small number of people</p>	
<p>Make the tax system easier to navigate for the self-employed</p>	<p>Tackle dormant companies tax reporting by implementing proper verification procedures and requiring an annual confirmation of dormancy. A Labour Government would also work with the banking sector to "improve reporting procedures on dormant companies".</p>	
<p>Increase the structures and buildings allowance from 2% to 3%</p>	<p>Reverse the Conservatives' 2015 cuts to the Bank Levy</p>	
<p>One-year employer NICs holiday for employers that hire people up to one year after they have left the armed forces</p>	<p>Close the "Eurobond loophole" under which a company with securities listed on the Channel Island Stock Exchange can make payments of UK source annual interest without withholding tax. Consideration will be given to whether there is a case for de-recognising the Channel Islands Stock Exchange.</p>	
<p>Maintain support for creative sector tax reliefs</p>	<p>Introduce an "excessive pay levy" as a payroll tax, charged against the employer of any individual earning more than a defined limit and as a percentage of the total compensation above that lower limit. Levy would be set at 2.5% for income paid above £300,000; 5% for income paid above £500,000; and 7.5% for income paid above £1m.</p> <p>"Legislation will take a broad view of what counts as 'pay' so that companies cannot dodge the levy"</p>	

Northern Ireland: devolve responsibility for corporation tax		
Business rates		
Cut the burden of tax on business by reducing business rates via a fundamental review of the system	A Labour government will review the option of a land value tax on commercial landlords as an alternative to business rates	Replace Business Rates in England with a Commercial Landowner Levy based solely on the land value of commercial sites rather than their entire capital value, thereby stimulating investment, and shifting the burden of taxation from tenants to landowners
Further reduce business rates for retail businesses as well as extending the discount to music venues, small cinemas and pubs		
Personal taxes		
Promise not to raise the rates of income tax or NICs in the next Parliament	Require “those who earn more than £80,000 a year to pay a little more income tax”, while freezing National Insurance and income tax rates for everyone else. Introduce a new 45% income tax rate starting at £80,000 a year and a new 50% rate starting at £125,000 from 2020–21 (<i>these figures are not in the manifesto but are taken from elsewhere</i>)	Raise £7bn a year in additional revenue by putting 1p on Income Tax, with this money to be ringfenced for spending on the NHS and social care (this will be neither levied nor spent in Scotland).
Raise the NICs threshold, initially to £9,500 with an ambition to raise it to £12,500	Labour Government would scrap the remittance basis of taxation for non-doms altogether in their first Budget, consulting on whether there is a need for an exception for foreign residents in the UK for a short period of time	Commission the development of a dedicated, progressive Health and Care Tax, offset by other tax reductions, on the basis of wide consultation and extensive engagement with the public
Increase the Health Immigration Surcharge to £625 and extend it to EEA nationals	Labour government will review the tax and pension changes implemented by the Conservative government “to ensure that the workforce is	Review the tax and National Insurance status of employees, dependent contractors and freelancers to ensure fair and

	fairly rewarded and that services are not adversely affected”	comparable treatment
	Remove the Marriage Allowance	Remove the Marriage Allowance
	<p>Labour will tax capital gains at the same level as income tax and remove the separate annual exempt allowance for capital gains, above a <i>de minimis</i> threshold of £1,000</p> <p>Gains would be taxable subject to a ‘rate-of-return’ allowance for CGT set at contemporary 10-year bond rates to allow gains below this rate to be earned tax free, effectively reintroducing a form of indexation allowance. It is unclear whether this would also be re-introduced for companies subject to corporation tax on chargeable gains.</p>	Removing the favourable treatment of capital gains (compared to income from work) by abolishing the separate Capital Gains Tax-free allowance and instead taxing capital gains and salaries through a single allowance
	<p>Labour will abolish the lower income tax rate for dividend income</p> <p>Labour proposes to equalise the tax treatment of income from dividends with other income by charging them at the normal marginal rate as well as – as with CGT – removing the separate allowance (subject to a <i>de minimis</i> threshold as with CGT)</p>	
	Primary residences will continue to be exempt from capital gains tax	
	Deter individuals from engaging in profit fragmentation’ schemes by requiring them to pay the tax owed immediately as an enquiry into their scheme opens. These schemes are	

	described as allowing “UK hedge fund and private equity managers to divert profits to an offshore entity where little or no tax is paid. Profits will then come back to them through complex offshore trust structures”.	
	Labour will “reverse George Osborne’s Inheritance Tax cut” (which introduced reliefs to allow people to pass on certain family property free of IHT) – there is no mention of the lifetime gifts tax or any proposed wealth tax	
VAT and other taxes		
Not increase the rate of VAT in the next Parliament	Guarantee no increases in the headline rate of VAT	Invest an extra £1 billion in Further Education funding, including by refunding colleges for the VAT they pay
Introduce a 3% stamp duty surcharge on non-UK resident buyers	Extend sugar tax to milk drinks	Reduce VAT on home insulation
	Close “the tax loopholes enjoyed by elite private schools” by adding VAT on private school fees	Accelerating the transition to ultra-low-emission transport – cars, buses and trains – through taxation, subsidy and regulation. In particular, accelerate the rapid take-up of electric vehicles by reforming vehicle taxation, cutting VAT on EVs to 5%
Introduce a plastic packaging tax from 2022/23 to levy to increase the proportion of recyclable plastics in packaging	Developers will face new ‘use it or lose it’ taxes on stalled housing developments	Graduate Stamp Duty Land Tax by the energy rating of the property
	Introduce “a levy on overseas companies buying housing”. The “offshore company property levy” would operate as an additional charge on purchases by offshore companies and trusts of UK residential property to be set at 20% (and would be	Introduce a stamp duty surcharge on overseas residents purchasing second homes

	supplementary to existing stamp taxes)	
Remove VAT on women's sanitary products (tampon tax)		Remove VAT on sanitary products
Northern Ireland: consider devolving responsibility for short-haul Air Passenger Duty	Renew 2017 commitment to extend stamp taxes by: eliminating the existing market maker exemption; extending stamp duty to equity and credit derivatives; and extending stamp duty to debt instruments (corporate bonds) at a rate of 0.5% for non-financial firms, and 0.2% for financial firms.	Reduce the climate impact of flying by reforming the taxation of international flights to focus on those who fly the most, while reducing costs for those who take one or two international return flights per year. Also, devolve Air Passenger Duty
Review alcohol duty to ensure that the tax system is supporting British drink producers	2019 Manifesto goes further by proposing to extend SDRT to forex spot and derivatives trades, interest rate derivatives and commodities spot and derivatives trades at a level which has been calculated to equate to 50% of existing transaction costs for such products. A discount of one-third will apply to financial firms, because financial firms are understood to have lower transaction costs. An exemption will apply to interest rate derivatives under three months' maturity (to avoid the tax applying to cash-like transactions), and for the first £1,000 of foreign exchange transactions daily per market participant. Taxation to be based on the "residence principle" rather than where the trade is transacted	Review the UK excise duty structure to better support whisky exports
	Introduce a "second homes tax" as an annual levy on second homes that are used as holiday homes equivalent to 200% of the current council tax bill for the property	Allow local authorities to increase council tax by up to 500% where homes are being bought as second homes

	<p>Introduce a windfall tax on oil companies, so that the companies that knowingly damaged the climate will help cover the costs</p>	<p>Reform access to cannabis through a regulated cannabis market in UK levying a cannabis duty</p>
<p>Tax administration and transparency</p>		
	<p>Enact the most comprehensive tax transparency and avoidance programme ever enacted in government. This will be a package of legal reforms, resourcing changes and government-wide reviews and inquiries – all with the aim of changing the culture that surrounds taxation, so that tax is viewed as a contribution and tax avoidance is not tolerated.</p> <p>In particular, involves a set of measures to: (i) improve transparency, including through public registers, an inquiry into the finance sector, an Excessive Pay Levy (as set out above), and greater scrutiny of MPs; (ii) provide stronger law, enforcement and support for HMRC. It commits to clamping down on enablers of tax avoidance and evasion, as well as avoiders and evaders themselves, and to transforming the power and resources of HMRC; (iii) eliminate legal loopholes; and (iv) cross-border action on avoidance and evasion, including action on tax havens and coordinated action on tax justice.</p>	<p>By simplifying business taxation, reduce opportunities for tax avoidance</p>
	<p>Properly resource HMRC and “set up an intelligence-led taskforce (including past and present HMRC staff, relevant trade unions, tax practitioners, academics, accountants and business representatives, and informed observers like the Tax Justice Network) to make</p>	<p>Set a target for HM Revenue and Customs to reduce the tax gap and continue to invest in staff to enable them to meet</p>

	recommendations about consolidating HMRC as a significant and essential part of the core machinery of government”	
	Increase targeted audits done by HMRC by 200,000 as part of restoring power and resources to HMRC	Embark on a radical redistribution of power away from Westminster to the nations, regions and local authorities, giving power to communities to hold local services to account and decide how their taxes are raised and spent
	Introduce more robust third-party information reporting within HMRC (ie where alternative sources of information are used to verify tax data.	End retrospective tax changes like the loan charge, so that individuals and firms are treated fairly
	Review of double tax treaties (DTTs): a Labour government would convene an expert working group to conduct a review of the UK’s network of treaties “paying particular attention to the role of these treaties in facilitating tax avoidance in the UK and by UK companies in the Global South”	
	Public register of trusts: create a public register of trusts, going beyond the existing (non-public) Trust Registration Service, and to include all trusts that operate through the UK. Also review penalties for non-compliance	
	Strengthened public register of company beneficial ownership by reducing the threshold for disclosure of shareholders to include all shareholders, not just those with over 25% of shares. Increased verification of information to prevent companies from “hiding behind sham shareholders and directors”. Finally, no	

	overseas company will be permitted to be a director of any UK company without meeting UK transparency standards	
	Require all large companies (using the definition in the Companies Act 2006) to file their tax returns publicly, along with related documents, at Companies House	
	Public filing of tax returns of wealthy individuals ie individuals earning over £1m	
	Labour Government would help increase transparency by working with Overseas Territories and Crown Dependencies to implement public registers of beneficial ownership. Labour would also call a summit with all Overseas Territories and Crown Dependencies to draw up a roadmap to achieve greater financial transparency	
	Promote fairer international tax rules and help countries in the Global South build progressive tax systems to finance essential public services	
	Public contract transparency: all companies tendering for public contracts would have to disclose publicly their beneficial owners, whether UK-based or overseas, “to ensure the public is well-informed about the beneficiaries of public contracting, in order to lift standards in public contracting as well as to end anti-competitive practices, which is consistent with existing law”	
	Work with the banking sector to improve transparency in	

	order to have ongoing discussions about whether existing law – such as the law on knowing receipt and dishonest assistance – protects consumers enough and is robust for preventing financial misconduct.	
	Ensure country-by-country reporting is fully implemented domestically, and will continue to cooperate internationally to introduce full country-by-country reporting across jurisdictions	
	Draw up a list of abusive tax havens and introduce sanctions against them, including consulting on the introduction of a withholding tax levied against any dividend, interest and royalties to individuals or companies in abusive tax havens. The consultation will consider the relationship between a withholding tax and double taxation treaties	
Tax avoidance and evasion		
Will tackle evasion and reduce opportunities for aggressive tax avoidance	<p>Introduce a more robust and wide-reaching General Anti-Avoidance Rule, based on the New Zealand model, to replace the current GAAR (which is “weak, complicated, and shielded from being properly applied by a General Anti-Abuse Advisory Panel”).</p> <p>“Overseas jurisprudence can be relied upon, and the courts’ interpretation of a British General Anti-Avoidance Rule can provide clear yardsticks for what is deemed to be unacceptable tax avoidance in other areas of policy”</p>	Introduce a general anti-avoidance rule
Set out a new anti-tax avoidance and evasion law	Launch “the biggest ever crackdown on tax avoidance	Take tough action against corporate tax evasion and

<p>which will: (i) double the maximum prison sentence to 14 years; (ii) create a single, “beefed-up” Anti-Tax Evasion Unit in HMRC and put it on a legislative footing; (iii) consolidate existing anti-evasion and avoidance measures and powers; and (iv) introduce a new package of anti-evasion measures, including measures to end tax abuse in the construction sector, crack down on illicit tobacco packaging and further measures to avoid profit-shifting by multinational companies to avoid paying taxes</p>	<p>and evasion and reform the inefficient system of tax relief”</p> <p>Launch a nine-month public inquiry into avoidance and evasion to investigate “common tools of avoidance and evasion, and recommend policy measures to eliminate these tools”.</p> <p>In particular, the inquiry will consider the use of offshore trusts, and whether there is the case for taxing further distributions from trusts or imposing a withholding tax on certain distributions from trusts, payable by trustees. As well, the inquiry will investigate the tax treatment of equity and debt, to inquire into whether steps should be taken to ensure debt and equity are treated equally for taxation purposes</p>	<p>avoidance especially by international tech giants and large monopolies</p>
	<p>Clamp down on enablers of tax avoidance and evasion by introducing a package of measures “so that enablers can no longer profit so freely from facilitating tax avoidance and evasion”.</p> <p>Labour would strengthen the law on failing to prevent the facilitation of tax evasion (in particular, tightening the defence of having reasonable prevention procedures in place); introduce harsher penalties for promoters of tax avoidance and evasion; consult on extending the Suspicious Activity Regime to tax avoidance; and refer to the Law Commission whether lawyers’ use of legal professional privilege is facilitating tax avoidance and evasion, and whether the law should be changed to restrict this</p>	<p>Support and build on the OECD’s proposals to require multinationals to pay a level of tax which is more closely related to their sales in every country in which they operate</p>

	Extend the time limit for HMRC corporation tax investigations of offshore transactions to 12 years “in line with cases involving income, inheritance and capital gains tax, closing a loophole created by the Government for corporations”	
	Labour will change how politics is funded, banning donations from tax avoiders and tax evaders	
	Labour Government would ensure any company that has failed to pay its fair share of tax is excluded from tendering for public contracts and share information about companies that have violated their tax obligations internationally	
	Fully restore HMRC’s preferred creditor status	
	Tackle “incorporation avoidance” by individuals self-incorporating by reviewing changes made in the Companies Act 2006 that allowed single director incorporations	
	Clamp down on umbrella agencies which transfer workers’ contracts from a single employment agency into thousands of tiny companies, each one of which can claim up to £3000 in Employment Allowance. Labour will ensure HMRC has resources to tackle these schemes where they are used to avoid or evade tax	
	Labour Government would advocate for tax avoidance to be seen as an Illicit Financial Flow in international institutions such as the UN,	

	OECD, G7 and G20. This would help tax avoidance to be seen as an issue of global importance and lead to further research and international cooperation within these institutions in relation to tax avoidance	
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Sources

[Conservative Party Manifesto](#)

[Conservative Costings Document](#)

[Labour Party Manifesto](#)

[Labour's "Funding Real Change" document](#)

[Labour's "Review of corporate tax reliefs" document](#)

[Labour's Fair Tax Programme](#)

[Liberal Democrat Manifesto](#)