

## “Office of Tax Simplification”

The OTS was set up by George Osborne last July to review tax reliefs and allowances. It has now published its report and to say it is a damp squib is an understatement. Any remotely major issues have been referred back to the Chancellor but we can feel exhilarated that it has found time to address the issue of relief on Angostura bitters and Yorkshire Black beer.

It is very unlikely that any of the measures proposed will feature in this month’s Budget. Those recommendations it has made will probably come forward in 2012. Areas of particular importance to the rural sector are largely unaffected but the OTS has recommended that detailed reviews be undertaken of areas of tax legislation which could well impact on the agricultural and rural industries and so we must be aware of what could be on the horizon:

Matters of interest are as follows:

- Inheritance Tax and Trusts : in 2009/10 Agricultural Property Relief cost the Exchequer £185 millions and Business Property Relief £190 millions but while it is estimated that 560,000 people died in 2009, estates paying Inheritance Tax totalled only 12,000. The total tax raised in 2009/10 is estimated to be £2.4 billions. The OTS has recommended a thorough review of this tax.
- Woodlands : the OTS recommended no change to the existing tax system.
- Farmers’ averaging : to be retained.
- Chattels exemption : an increase in the exempt limit of £6,000 is recommended, it has not been changed since 1989.
- Private residence exemption for Capital Gains Tax : a simplification of the relief is recommended along with a clear statement of the minimum criteria for the relief to apply such as a minimum period of residence.
- Land remediation relief : abolition is recommended as it is considered that necessary works would be undertaken with or without the relief.
- Corporation Tax : it is proposed that the small companies rate be abolished in the fullness of time when the main rate of tax has reached the planned lower rate. Indexation allowance for capital gains to be replaced.
- Capital allowances for energy and water efficient technologies : simplification is recommended.
- Capital allowances : it is recommended that the Annual Investment Allowance is retained but its level should be more consistent for longer periods to facilitate easier expenditure planning.
- Entrepreneurs relief : simplification of the rules is recommended, a possible abolition of the upper limit and the addressing of the inequity in the rules which affects unincorporated businesses.
- Benefits in kind : abolition of the £8,500 lower limit.