CIOT President's page: The subject of tax reforms

Welcomes



21 August 2025

What a summer it’s been, and I am not just talking about the weather!

It’s often said that the tax tail should not wag the business dog but given that tax has significant economic impacts I always think that it depends on the proportion of the dog! The proposed changes to inheritance tax in 2026 and 2027 are set to affect business owners, investors, farmers and pension savers. A lot of people are suddenly taking an active interest in tax. Previously, when I met someone and mentioned what I do for a living it could be a bit of a conversation stopper. These days, it’s likely to result in a raft of questions about what they should do and what to expect next. The CTA qualification remains as important and relevant as ever!

Recent tax changes have highlighted the importance of tax planning for the many who are likely to be affected. They also serve to illustrate the fact that for every change in taxation there will be unexpected by-products. For example, what will be the impact on the economy if a generation of children inherit wealth prematurely?

Will a generation of ‘trust fund kids’ lose a work ethic or might they be innovative and start up new and interesting enterprises? Please note that I am not for one minute advocating that every family now sets up a trust fund to avoid (or postpone) inheritance tax; other tax planning ideas may well be available.

The big question remains as to whether taxation is an effective way to raise revenue or simply stifles growth. Tax at any level can have a demotivational effect. Take the following example: I have a client who runs a small pub. The brewery takes a percentage cut of turnover if it exceeds a certain level. Having been caught out by the rule and by having paid the price of ‘success’, the tenant now carefully monitors turnover to ensure that the brewery never receives a bonus again.

It’s not an extreme example, but it’s a genuine one and that kind of decision making is rife. Think how many businesses are run part-time or via separate limited companies just to avoid VAT registration.

I was delighted to attend the Manchester CIOT/ATT branches ‘Summer Social’ in August and had some interesting conversations on tax reform and what could be implemented to help simplify the system. As someone noted, we have a national minimum wage, which you might think by its very nature should be tax-free! Would it not be easier to scrap the claw back of the personal allowance when income exceeds £100,000? We have taxation of savings that few understand, and we have a ban on zero hours contracts, which some people actually like. These are all interesting ideas for simplification, and perhaps we can explore your ideas at future branch events.

Still on the subject of tax reforms, you won’t have missed the discussions online about the merits of the introduction of a wealth tax. There is unlikely to be time in the current parliament to introduce such a measure but a mere detail like that is not going to stifle speculation. It makes an excellent topic to debate. That is exactly what we are going to be doing at the Labour and Conservative parties conferences this month and next. I have the pleasure of hosting the two debates. Yes, other political party conferences are available too but we at CIOT have limited resources and time to fit them all in.

I see that many people suppose that a wealth tax would focus on the largest land and property rich estates; indeed, when I talk to people outside of the world of tax and accountancy that seems to be a general preoccupation. What people don’t

seem to realise is that the value of any wealthy individual’s investments in stocks and shares generally outweighs their other assets. The rise in, say, the value of rare earth commodities and US tech stock over the last decades have dramatically contributed to the wealth of the wealthiest.

And then there is crypto. As I write this, several crypto currencies have reached new record highs, substantially buoyed up by the deregularising approach of the current US regime. I am sure that volatility of the riskier end of the investment market will be a factor mentioned in any wealth tax debate, as will the whole problem of valuation. I won’t try and second guess what else will feature in the discussion, but I look forward to reporting back here with the outcomes in due course.