

## press release

22 March 2010

### 2010 pre-Budget statement

#### **Gavin Oldham chief executive of The Share Centre gives his thoughts on the forthcoming Budget.**

To describe the forthcoming proceedings on 24 March as a Budget is a bit of a misnomer: rather, it will be a section drawn from the Labour Party election manifesto. Of course the laws binding the next government to return the public sector deficit to some sort of normality will be trotted out again, but there will be a huge void between what will happen and what should happen.

So, there will be visible giveaways which don't cost very much, heavier taxes on the 1.7% of the population who already provide a quarter of the tax income, and optimistic noises about the few green shoots of recovery. Will retail investment see any tax changes? The Chancellor may risk investors' and entrepreneurs' patience by pushing up CGT, he will probably wax lyrical about Child Trust Funds (as both opposition parties have given the scheme the 'thumbs down').

If he wants to encourage the many small businesses using AIM, he could make them eligible for ISA investment without damaging their 'business assets' status. Any damage to the latter would be the final straw. However, for many entrepreneurs, it's worth noting that AIM shares are already eligible in a self-invested personal pension.

Further attacks on pension tax breaks will probably be deferred until after the election. However, much preening will accompany the tax inflow from bankers' bonuses (in spite of failing in its original purpose of stopping them being paid) and the widespread advancement of dividends and remuneration to take advantage of the current 40% top rate, before it rises to 50%.

What should be done? I would say some serious measures to make significant inroads into the deficit. VAT should rise in three steps to 25%, raising c. £30bn. A further VAT initiative could close the loophole whereby many internet sales avoid VAT by being sourced from overseas. Any

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universal benefit (with the exception of the Child Trust Fund) should be considered for means testing.

Most importantly, there should be real incentives to create a nation of wealth generators, to get the economy moving and broaden its tax base to provide stability. Indirect taxation increases are one way of spreading the load, but with nearly half of public expenditure either borrowed or raised from that 1.7% of the population (or reliant on their decisions as directors of companies), the need for action is urgent. Just don't hold your breath.

The opinions expressed in this statement are the personal views of Gavin Oldham. These views are not necessarily shared by The Share Centre.

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