

## Tax fear could drive out 40% of business owners, poll suggests

*by Alex Ralph, writing in The Times on Saturday June 10<sup>th</sup> 2023*

Two in five business owners in the UK are planning to sell, wind up or crystallise assets within the next year amid fears over a Labour tax raid after the general election.

Evelyn Partners, a wealth management and professional services firm, found that 40% of 504 business owners with revenue of more than £5 million surveyed were looking to exit within the next year. The poll, by Censuswide, also found that one in four UK business owners, 23%, have accelerated plans to sell or wind down their business in the past 12 months.

A potential change in government and to the tax regime was the joint-top factor, cited by 25% of those accelerating their plans, along with challenges accessing long-term capital.

Tom Shave, a partner at Evelyn, said business owner clients have been increasingly asking whether there is going to be a change in capital gains rate with a new government. The tax is paid on profits from selling an asset and set at a lower rate than income tax.

“The concern with Labour is that they’ll align the capital gains rate with the income tax rates,” he said. “So it could potentially go up to 40% from 20%.”

Uncertainty has arisen after Angela Rayner, Labour’s deputy leader, criticised Rishi Sunak in March for paying a “far lower tax rate than working people” after his published tax affairs showed his income from capital gains.

Rachel Reeves, the shadow chancellor, responded by saying a Labour government has no plans to increase capital gains tax, saying “we want Britain to be the best place to start and grow a business”.

One tax partner at a big firm said: “Labour could say lowering the rate is fairer, but it could also put a dagger through the heart of entrepreneurship. If they raised capital gains tax I’d not be shocked, I’d be mildly surprised.”