Call for Evidence Response

Office of Tax Simplification: Review of capital gains tax

Date: 9 November 2020

Introduction

1. The Country Land and Business Association (CLA) is the membership organisation for owners of land, property and businesses in rural England and Wales. As well as agriculture and forestry, the CLA's 28,000 members operate 250 different types of business located in the rural area, covering over 10 million acres across England and Wales. They have a long-term interest in the rural communities and environment in which they live. Their businesses are often at the foundation of the local economy by providing homes, jobs, employment space and services to local communities.

2. The OTS review of Capital Gains Tax (CGT) comes at a time when farming and the wider rural economy are entering a period of significant change. Firstly, the Agriculture Bill and a new system of payment for public goods will redefine the way government supports farming and lead to reductions in income from 2021. Such a change is transformational and the potential impacts of removing direct payments on farming businesses should not be underestimated. Secondly the UK's departure from the European Union, and the new trading relations this will bring, creates both opportunities and risks for the agriculture sector. Major changes to the Capital Gains Tax regime at this time of uncertainty would make it impossible for individual farming businesses to make informed plans for investment for the future.

3. Farming and rural businesses are multi-generational businesses and business owners would have to take a long-term view in business and environmental planning extending beyond a single generation. They are generally unincorporated with the majority operating as sole traders or partnerships and only a minority being incorporated.

4. The CLA welcomes this opportunity to respond to the Call for Evidence published on 14 July 2020.

General comments

5. In our view the CGT rules are relatively straightforward compared with other taxes. However, there are some areas that will benefit from review, while other aspects of the tax should remain to support business growth and productivity.

6. Whilst we appreciate that it can be sometimes difficult to make recommendations for simplification that do not touch on policy issues, we are concerned that changes of a broad policy nature may be proposed, as was the case of the recommendation in the

second inheritance tax report for the removal of the CGT uplift on death. There was no rationale given for suggesting the removal of the CGT uplift and the idea was not tested with us in meetings so this broad policy recommendation in the second report on inheritance tax came as a surprise.

7. The removal of this CGT uplift on death would add major complications to the CGT system, particularly for land-based business with long histories of generational succession. How far back would one have to go if the assets have been passed from grandparent to child to grandchild since 1982 to ascertain the value? Removing any uplift on death would make the CGT regime more complex.

8. We hope that the OTS will refrain from suggesting any wholesale policy changes that would reduce the simplicity of the structure of the tax. We also note that this review is only considering CGT as it applies to individuals but not trusts or corporates and so it is difficult to see how major changes to the structure of the tax or reliefs can be proposed when the impact for trusts and corporates has not been considered.

9. Changes to capital gains that go beyond simplifying how the tax works, clarifying definitions or improving the administration, if not considered in a wider economic context, may be detrimental by stifling the market so that the number of disposals is reduced. At a time when businesses are in many cases still trying to cope with the impact of the Coronavirus crisis and rebuild, any suggestion about the scope of the tax or to limit the way reliefs operate would impact business decision making and may make them reluctant to invest in their business for growth. Any stifling of the market would impact related professional services, valuers, estate and land agents, solicitors' services, which would lead to lower business profits for these linked services and lower tax take on their profits. It would be disappointing if the review made recommendations that impacted on the long-term viability of rural businesses. Any recommendations for change should ensure that the CGT remains fair, transparent and delivers certainty for taxpayers.

10. Agricultural or commercial assets tend to be held for a long period before any transfer of ownership. HMRC CGT statistics published on 13 August 2020[1] indicate that in 2017-18, only 9% of all financial asset disposals related to shares that had been held for 10 years or more. UK agricultural or commercial land and buildings disposals accounted for only 5% of all non-financial asset disposals of which 60% had been owned for over 10 years. We consider it important to ensure that long-term ownership is not penalised: those who hold assets for the long term are likely to be taxed on inflationary gains - unlike those that hold assets, such as shares, for short period.[2] Long-term asset ownership is more likely to lead to outcomes which the Government sees as beneficial, such as environmental delivery or investment in business productivity. Steps have already been taken to address the perceived abuse by taxpayers (such as hedge fund managers) who seek to manipulate the tax system so that they pay tax on capital rather than income with measures such as the carried interest rule and the targeted anti-avoidance rules.

11. The Agriculture Act 2020 includes provisions to provide for a contractual mechanism for the delivery of public goods, such as wildlife and habitat, clean water and air, climate change mitigation, landscape and heritage etc (the Environmental Land

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/908667/CGT_National_Statistics_Commentary.pdfv

[2] Government statistics indicate that 73% of these disposals were of assets that had been held for more than 10 years

Management Scheme or ELMS). This could result in land being used to deliver environmental benefits or other public goods rather than being used to support the farming or other commercial enterprises. If that is not a qualifying use of land for the purposes of CGT relief, CGT may act as a dis-incentive for farmers considering entering schemes. This would depress uptake, and in turn mean that the Government may fall short on meeting the objectives set out in the 25-Year Environment Plan, and soon the Environment Bill.

12. Over the last thirty years, CGT has been substantially reformed a number of times, as successive governments have sought to meet a number of different concerns: that the tax be charged on real, rather than inflationary gains; that the tax should promote long-term investment and entrepreneurship; and that the tax should not act as an incentive for individuals to avoid income tax, by converting their earnings or profits into capital gains. CGT is now much simpler since the last major changes in 2007 than previously when CGT calculations could be very complex where indexation, taper reliefs or the interaction of both had to be considered.

13. However, many of these changes have had a direct impact on how taxpayers are charged for gains on business assets. We are now in a position where taxpayers with land-based businesses who have owned the assets for a long period will face a substantial CGT bill on inflationary rather than real gains if they want to sell up and retire, for example, following the removal of indexation, taper relief and retirement relief. As we said in our response on the principles of CGT, more should be done to encourage investment in business assets, such as land and buildings, that are retained for long periods. Before taper relief was abolished, the different rates of taper relief for business assets and non-business assets could create complexity. It would be simpler if there was a straight-line taper for all assets held over a requisite period as this, after rebasing, would address the fact that CGT is on inflationary rather than real gains for assets held for a long period. For example, the position in France is that the longer an asset is owned, the less Capital Gains Tax is paid as a result of the taper relief system that ensures that assets help for a long time are not penalised. So that after the sixth year of ownership, Capital Gains Tax is reduced by 6% per year (4% in year 22). This means there is no tax to pay after 22 years. We would encourage a similar regime for UK.

Specific Comments

14. We have the following additional comments in relation to the questions in the Call for Evidence.

Acquisition and disposal

Question 1: Is the scope and boundary of CGT clear? Is it always obvious when an event is chargeable?

15. As with all taxes, the well advised will have a better understanding of the tax. Poorly advised or unrepresented taxpayers are at a disadvantage because of the complexities of the legislation. Many taxpayers do not realise that they have to consider whether there is a CGT charge when they gift an asset to others. Even though many of our members are more aware of the need to consider CGT than the wider taxpaying public, many will still request advice on the inheritance tax potentially exempt transfer rules rather than the CGT rules when considering passing on their business assets in

their lifetime. For assets which do not qualify for APR/BPR there is also potential unfairness where CGT is paid on a gift – but IHT also subsequently arises, because the potentially exempt transfer becomes chargeable on death.

16. CGT requires taxpayers and their advisers to consider individual assets at a specific point in time. A taxpayer's asset base can be fluid over a long period of time both as to the assets in ownership and their use. Assets can go in and out of eligibility for CGT reliefs over a long period of time and this can be difficult to track. For example, a house can used in a variety of ways over a long period by the taxpayer to occupy a farm worker, their non-farming children or let out. Homes in the latter two scenarios will not qualify as assets used in the trade. These difficulties can be helped by having a single definition of a business asset and looking at the everything the round.

17. Difficulties can also arise because of the need to define what the asset is in the first place for CGT purposes. It is not clear whether this has to be determined when the asset is acquired or when it is disposed of. It is not clearly defined in legislation itself whether you are dealing with one asset or more than one and that does depend on when you are selling it or the way that you are acquiring it. So, if a taxpayer buys two pieces of land, at the same time, from two different landowners to become a single farm, have they got a single asset or have they got two assets? If a single farm is purchased and later sold in two lots, that raises the question of what is the asset you are disposing of. The general view is that the acquisition is more important than the disposal but this is something that is open to interpretation and there are differing views. Clarity on this would be helpful.

Question 2: How generally aware are taxpayers of their (potential) CGT liabilities following a disposal? Could/should they be made more aware, and if so how?

18. Taxpayers are less likely to be aware of their potential CGT liabilities on a disposal. This is often because disposals that may be chargeable are not a frequent occurrence and so many taxpayers would rarely need to consider CGT.

Question 3: To what extent do the current CGT rules influence decisions around whether, how or when taxpayers acquire or dispose of assets? And to what extent and how do taxpayers adjust their activity to reflect this?

19. Reliefs on gifts enable a trading business to be handed down so that CGT does not stop them from being passed on. Existence of reliefs do influence decisions to pass on assets, and it is in the interests of the wider economy for them to be passed on at the right time for investment decisions to be made.

20. Some taxpayers choose to hold on to their assets until death rather than transfer them in their lifetime and so do not need to consider CGT. For many farmers their whole self-identity is wrapped up in the fact that they are farmers. Farming is their way of life and they are reluctant to give it up. As such many continue to farm in some manner, even if this at a reduced level with advancing years. This drives their decisions more than the tax system. In some instances, CGT may be a factor, particularly where the assets do not qualify for relief and there are no funds to pay a dry tax that arises on the transfer. Sometimes it is because the taxpayer cannot afford to pass on assets as they need to retain them to continue to earn an income, particularly where they have not had the spare funds to establish a pension. Others may have concerns that passing on assets too early risks family assets being lost through divorce or insolvency.

21. The current CGT rules are only one part of the equation when making commercial decisions and it is not possible to isolate CGT as the determining factor that drives decisions as to when to acquire and dispose of assets. There will be a mix of things to consider, including commercial needs, VAT and SDLT issues as well as CGT.

22. Commercial decisions can be affected by CGT as the higher rates of CGT for residential property can have a significant impact on decisions. For example, where there is a need to raise finance for the business and there is a choice of residential or commercial assets that could be sold to do so. The commercial decision will be - what is the best asset to sell? If this decision is relatively balanced between the residential and commercial assets, the business will always hang on to the residential asset because the higher residential rates of CGT make them less attractive to sell.

Question 4: Are there any specific practical challenges for taxpayers in dealing with the CGT aspects of acquiring and disposing of assets?

23. As we stated in our response on the principles of CGT, it is becoming increasingly difficult to obtain a 1982 valuation as there are fewer professionals around who understand the market conditions at that time and obtaining relevant comparables is equally difficult. One of the problems with 1982 base values or where property improvements were carried out in 1983 or 1984 which increased the value is that there is no one in the valuation office that was working professionally then. Obtaining the relevant information and data to ascertain 1982 CGT base values will become even more difficult with the passage of time. The position can be complicated if there is a change in the assets at some time in the past. For example, an agricultural building was converted into office or residential use and let out so that that part of the property does not qualify for relief. Similar issues arise if only part of an asset is sold, such as a few fields rather than the whole farm. This requires apportioning historic values to obtain the starting point for any chargeable gain on that individual asset.

24. These 1982 values are increasingly scrutinised and challenged by the District Valuer, which adds to the administrative burdens and costs for these taxpayers. In comparison non-UK resident taxpayers do not face these hurdles, even if they dispose of similar assets that have been owned for an equally long period as they only pay tax on gains since 2015/2016. Rebasing would act as a major simplification for taxpayers that have held assets for a substantial period and remove the current disparity between UK resident taxpayers and non-residents.

Question 5: Is it always clear and easy to understand which expenses (including capital improvement, acquisition or disposal expenses) qualify for CGT purposes? Are the rules on qualifying enhancement expenditure clear and reasonably straightforward to operate in practice?

25. The number of pages in the property income manual on the distinction between income and capital and enhancement expenditure illustrate the difficulties taxpayers can have in understanding the difference between the two.

26. What qualifies as deductible enhancement expenditure can be difficult for taxpayers to understand. For example, if land is sold with benefit of planning permission and a condition of that permission is that the land owner had to enter into a section 106 agreement which involves expenditure on another asset, taxpayers think this is a deductible expense when calculating the gain on the land sold. However, the section

106 expenditure does not qualify as enhancement expenditure as it did not enhance the land sold but another asset.

27. A base date of 1982 for long held assets raises practical issues. There is no other tax where, effectively, taxpayers are required to keep records for 38 years when actually there has been no requirement to file that information with HMRC. Identifying enhancement expenditure, especially when you have to go back to 1982 to justify what has been spent in that period, is nigh on impossible. Information is not realistically readily available for the 1980s/90s. People have not got the records but remember that they have done it or you can see that they have done it but there is no information as to how much, when or whether it was put though as a repair in the accounts or capitalised at the time. It is guesswork at that point. It should be borne in mind that small builders did not operate in the same way as larger construction companies on big construction projects that would use detailed JCB contracts and document every variation to the works. Small builders that the majority of taxpayers would use to undertake building projects to enhance their assets would provide little in the way of paperwork with much being done on the strength of a handshake rather than a written contract and invoices rarely given to the client. The further we get from 1982 the more difficult this is going to become.

Question 6: Are there particular practical challenges or issues arising from the CGT rules about acquiring, disposing of or transferring assets on marriage (or civil partnership), separation or divorce?

28. There are practical issues that mean couples that separate or divorce can find themselves facing a substantial CGT charge depending on the date that assets are transferred.

29. Spouses/civil partners remain connected persons pursuant to section 286(2) even if they are permanently separated until such time as the date of a decree absolute which ends their marriage/civil partnership. This means that any transfer of assets between them falls within sections 17 and 18 so that it is treated as a disposal made at market value subject to CGT. The exception to this is provided under section 58(1) where those assets that are transferred in the year of assessment in which the couple became permanently separated, are treated as disposed on a no gain/no loss basis. It is often not practical or even realistic for many couples to be able to agree how to divide assets in the year of separation, let alone action the transfer of ownership of assets in the year of separation, especially if that separation occurs, say at the end of March in the year of assessment. Many separating couples do not seek legal advice until after the separation and would be unlikely to even consider whether there are tax implications let alone seek tax advice prior to a separation to mitigate a CGT charge.

30. These provisions will unfairly penalise those who transfer assets in accordance with a court order, whether by consent or otherwise, in ancillary relief or property adjustment proceedings.

31. It would be fairer to facilitate amicable divorce discussions if the CGT rules followed those of inheritance tax[3] so that any transfers between spouses/civil partners as a consequence of separation or divorce were treated as made on a no/gain no loss basis

[3] Section 18IHTA 1984 provides transfers of value between spouses or civil partners are wholly exempt. The Inheritance Tax Manual makes it clear that (IHTM11032) this includes those that are legally married but separated and covers any transfer made before the decree absolute.

until 12 months after the decree absolute. As many financial orders are made after the decree absolute it is important to allow a period after the decree absolute for these to be made and transfers actioned.

Question 7: Are there particular issues around the boundary with income tax e.g. shares or share rights received by employees or the boundary between trading and investment?

32. Where land is sold for development with the benefit of planning permission, it is generally accepted that the cost of obtaining planning permission is a capital cost that adds value to the land and so can be deducted in calculating the gain. Uncertainty can arise as to whether the costs of undertaking preparatory works such as an access road or drainage lagoon needed to secure a buyer or putting in footings to ensure than the planning permission does not fall away are also deductible as there is no clear guidance on this in the HMRC CGT manual. It would be helpful to have clearer guidance in the CGT manuals that such preparatory works are deductible. It would also be helpful to clarify that the fact that the seller of land had obtained planning permission and undertaken necessary preparatory works does not mean that the subsequent sale of land is a transaction in land caught by the transactions in UK land provisions[4] and subject to income tax.

Annual exempt amount (AEA)

Question 8: In your experience, to what extent do individuals or their agents arrange to time disposals of assets in such a way as to maximise use of their AEA to manage down their tax liabilities?

33. For assets such as shares it is much easier to divide these so that the transactions can take place in different tax years so as to maximise use of the annual exemption. It is more difficult to do this with land holdings, where a whole farm, say of a house, buildings and 150 acres would be sold as a single lot.

Question 9: Could there be a simpler or more targeted way of taking small gains out of tax?

34. The annual exemption helps to ease the administrative burden and take away the reporting needs on a lot of low value transactions. The simplest way to take small gains out of tax would be to increase the annual exemption.

Different rates of CGT (10%/20%/18%/28%)

Question 10: To what extent do the different rates of CGT cause complexity? Is it always clear which tax rate should apply? Which situations present specific problems? Does the dependence on the income tax higher rate threshold make this inevitable? Do you think the rates position could be made simpler, and if so how?

35. The different residential and non-residential rates add complexity and increases costs for taxpayers, with additional valuations required to split asset sales and base costs as well as improvement costs, particularly if there is a need to consider historic values.

[4] Part 9A into the Income Tax Act 2007

There can be problems in ascertaining the 1982 values where it is difficult to know what was the extent of the property/residence in question at that time to ascertain the value. This can be problematic if there are changes in the intervening period and inadequate records and taxpayers struggle to remember what was done when.

36. One of the difficulties is the approach taken by HMRC with regard to SDLT as they are now inclined to include a field as part of the residential property and so subject to residential rates rather than commercial rates as a mixed-use property, even if the field is separated from the house and garden by hedgerows or fencing. It is important to consider how these two taxes interact.

37. It is difficult for taxpayers, particularly the elderly, to understand that even if they are a basic rate taxpayer, the entire gain will not be taxed at the lower rate. However, for the majority of land sales, the lower rates of 10% and 18% don't come into play.

38. We are conscious that many will respond to encourage the taxation of gains at income tax rates to raise additional Exchequer funds post COVID. The CLA has long held the view that Government revenues benefit from low rates of CGT. Rates of 20% on assets has meant that the pressure to claim roll-over relief has considerably abated. At the rate of 20%, taxpayers prefer to do the deal, pay the tax and move on, including re-organising the business. We are at the point in the economy where there is a need for business to be able to restructure their assets, to give up, start up, to expand, as simply and swiftly and as cleanly as possible. A rate of 20% does not prevent people from realising capital gains. High rates, when gains are effectively taxed at rates similar to the higher and additional rates of income tax (40/45%), would likely stifle the market and destroy the revenue raising powers of the tax. The last time the taxation of gains was changed in 1988 from a flat rate to being charged at the taxpayer's marginal income tax rate, it would appear that there were significantly less disposals of assets, particularly business assets. This resulted in reductions in the number of taxpayers paying CGT, amounts of gains and amounts of CGT paid to the Exchequer. E.g. In 1992-3 only 60,000 individuals paid CGT of £539m on gains of £1885m c.f. 1987-88 when 135,000 individuals paid CGT of £1993m on gains of £7994m.[5]

Issues commonly affecting individual taxpayers

Reliefs and exemptions

Principal Private Residence Relief (PPR)

39. Principal private residence relief is an important relief and integral to the way the UK residential property market operates and should be retained. Removing or restricting this relief will be politically difficult and likely make the housing market stagnate at a time when the government is actively encouraging transactions with recent changes to stamp duty land tax. Any capital gains charge on taxpayers' main homes would inhibit families from moving to larger properties, would penalise those seeking to downsize to release funds for retirement and impact on individual's geographical mobility to take up employment opportunities around the country.

[5] See: https://www.gov.uk/government/statistics/capital-gains-tax-statistical-tables

40. CGT calculations and the apportionment of gains can give rise to an unfair result, even where PPR applies to relieve part of the gain, if the nature of an asset has changed during the period of ownership. For example, where a farmer builds a new home on bare land or converts one of their agricultural barns into a new home which is occupied as their new primary residence. On a subsequent disposal there will be a large chargeable gain, on the difference in value from that bare land/barn to a fully developed house as the gain is apportioned on a time-line basis. A fairer approach would be to apportion the gain on the basis of when it became a house which is when most of the value accrued.

Question 11: Are you aware of situations where the current rules are not easy to operate perhaps because of changes in society or patterns of work (such as home-working, taking in a lodger, letting out a bedroom to tourists, or the use of gardens or grounds)?

41. Whilst it is helpful that there is some flexibility in the rules for a larger area to qualify as garden or grounds, we find that there can be issues with HMRC challenging what is accepted as such for rural properties. These tend to have larger gardens than would be the case in more urban areas so that a modest house may have a garden that is larger than the permitted area that automatically qualifies for relief. The different definitions as to what qualifies as residential property for CGT and SDLT purposes can lead to disagreements between the buyer and seller if there is a need to identify what falls into residential or non-residential and to apportion values accordingly. This is a direct consequence of higher rates applying for both CGT and SDLT purposes.

42. Where enhancement works have been undertaken on the taxpayer's home (such as an extension), if circumstances change so that PPR is not available at 100% this can create huge issues with the availability of records of those works as people have not kept the records thinking they will get 100% relief.

43. The 30-day reporting deadline for residential property is burdensome.

44. Reducing the lettings relief so that it now only applies to those who let out part of their homes will mean that very few will qualify for the relief. When combined with the reduction in the final qualifying period to 9 months these changes do not help those that struggle to sell their properties after moving to a new area to take up employment opportunities and need to let their former home for a period to assist with the family finances.

Question 12: Are the ancillary reliefs and occupation rules consistent with what you consider PPR is aiming to achieve? If not, what would make them simpler to apply or better achieve these aims?

45. We have no comment.

Question 13: How do you find the principle and practice of making a nomination? Are there better ways of achieving the same ends?

46. We have no comment.

Chattels exemption

Question 14: Are there any aspects of the taxation of gains arising from the disposal of chattels that you consider would benefit from being simplified?

47. Consideration should be given to increasing the exempt amount of £6,000 to reflect inflation since this figure was fixed.

Question 15: Is it clear to taxpayers that gains on significant chattels are potentially taxable? Or is there a general lack of awareness?

48. We believe that most taxpayers that sell chattels that would be subject to CGT would be aware of the need to report the gain.

Issues commonly affecting business owners and investors

Business lifecycle

Question 16: Are there features of CGT that present barriers or distortions at any of these stages? Are the rules simple to understand and apply correctly? Please provide examples along with any suggestions on how the rules could be made simpler.

49. Ensuring succession of the family enterprise and sustainability is a primary objective of our members, often in priority to maximising income and capital returns in the short term. Land-based rural businesses tend to be cash poor and so the ability to make lifetime gifts of land/assets to the next generation to ensure it is in the hands of the right person to maximise productivity, etc cannot be achieved without the availability of reliefs for business assets and principle private residence relief for the main home.

50. Gifts holdover relief is helpful for enabling business owners to transfer business assets to the next generation in their lifetime. Without it, there will be a dry tax charge which may disincentivise the timely transfer of assets.

51. Business asset roll-over relief provides an important mechanism for businesses that dispose of assets for reinvestment in their business without a tax charge that limits this investment. This should remain although there is scope for the category of qualifying assets for reinvestment to be extended. The list of qualifying assets for roll-over relief under section 152 does not allow relief on reinvestment in let land or land intended to be let unlike relief for compulsory purchase under section 247. Amending the list of qualifying assets to allow this would create fiscal neutrality between different types of land occupation.

52. The CLA is a member of Tenancy Reform Industry Group (TRIG). As part of the tax working group we supported recommendations made in 2017 that rollover relief be amended to allow reinvestment of receipts into capital improvement on let farmland under both the main form of rollover relief and that under the shadow of compulsory purchase. This would directly support investment in the productivity of let land and its absence is proving a particular problem for taxpayers whose assets have been purchased under compulsory purchase powers (for infrastructure schemes such as HS2) where the relief for reinvestment[6] is narrower and less flexible relief than that in

[6] Under section 247 TCGA 1992

general business asset roll-over relief[7] which enables reinvestment in wider range of qualifying assets. So, if a farm building on land currently farmed by a tenant is bought through compulsory purchase, under current rules, the landlord is unable to reinvest in providing a replacement farm building for his tenant on the retained let land. More detail is set out in response to question 19.

53. Changes in the Budget 2020 reduced the scope of the Business Asset Disposal Relief (formerly Entrepreneurs relief). This relief now provides more limited relief in circumstances where business owners are selling assets due to retirement, and wish to retain the funds to fund that retirement. Such taxpayers have no wish to reinvest the proceeds to qualify for business asset roll-over relief and so face a substantial tax charge on the value of the business assets built up over their working lives that previously would have been reduced by retirement relief or taper relief. This reduces the funds available for their retirement, particularly if they have been unable to invest during their working lives into private pension provision. This is likely to become very relevant in the context of forthcoming changes in agricultural payments, when a proportion for the farming industry is expected to consider retirement options. An effective retirement relief would be helpful.

54. One of the difficulties with business asset disposal relief is in identifying when a business has ceased for the purposes of the determining the 3 year period in which to sell the business assets. A business may wish to cease of the end of their financial year, but there may still be payments received or other administration to deal with after that date. For farming in particular, the date of cessation that works for accounting or tax purposes (either the end of the financial or tax year) may not fit in with tenancy termination dates or with the practicalities of farming (i.e. when a crop can be sold). These timing difficulties were solved for retirement relief by ESC 31 which enabled the Revenue to take a practical approach to cessation of business. With the withdrawal of extra-statutory concessions following the decision in *Wilkinson*, the uncertainty around cessation can only be removed with legislative change.

55. The owner of a diversified rural business is disadvantaged by the absence of CGT reliefs if business assets are disposed of which are not used for the purposes of a trade. As such the CGT rules act as a barrier which prevents the optimal deployment of rural capital to meet environmental delivery and profit objectives.

56. One of the key policy objectives for the government is intergenerational fairness; a lot of wealth is in the hands of older people. CGT is often a barrier for these assets moving on. Holdover relief should be broadened to cover all assets, not just trading assets.

57. It may be helpful if the history of holdover relief and roll-over relief could be kept within the personal tax account, as often this information is lost with the passage of time, particularly with a change of accountant.

Question 17: Do you know of occasions when CGT rules have affected business decision making more generally, including decisions regarding the structure of a business or the choice of business vehicle (for example a corporate entity,

[7] Under section 152 TCGA 1992

partnership, unincorporated business)?

Disincorporation

58. CGT as well as the rules on distributions from companies can prevent businesses using the correct business vehicle for their business. This is because the rules make it very expensive from a tax perspective to disincorporate where that company holds property used in the business. Whilst the majority of farming businesses operate as sole traders or family partnerships, there are some that operate as a company with all the assets owned by that company. Many of these farming companies were established in the 1960s but are no longer suitable business vehicles for subsequent generations of the family who have inherited the shares. For example, where the farming company is now owned by several siblings, A, B and C in equal shares. A wants to run the business with sole control of the company. Each sibling occupies a house on the farm but B and C cannot take the homes they live in out of the company as their share of the company assets because it would be too expensive to do so and there is no cash in the company to pay the dry tax charges on the disposal. Roll-over relief is not available to the company (to enable it to roll over the gain into another qualifying asset). This is because a house provided by a company for occupation as the private residence of a director will not normally qualify under section 155 TCGA 1992 because occupation of the property (and no other) is unlikely to be essential to the proper or better performance of the duties of the office of director. The siblings are trapped in a company which causes family disagreements.

59. There are other non-CGT tax issues these families face. The annual tax on enveloped dwellings (ATED) is a residential tax introduced long after corporate structures were put in place (often in the 50s or 60s). People are trapped in the corporate vehicles as we have outlined above because they are too expensive to get out of, so they have to accept the ATED charge. As the business moves down the generations, a benefit in kind charge will be likely to arise in respect to any houses occupied.

60. Accordingly, we believe there should be a disincorporation relief available so that CGT does not act as barrier to disincorporation in the same way as incorporation relief exists for all businesses, not just trading businesses, to prevent a dry tax charge on incorporation. A disincorporation relief will enable business to adopt the correct structure from a legal and commercial perspective.

61. A disincorporation relief was last introduced in 2013[8] which covered transactions for a 5-year period 1 April 2013 to 31 March 2018. This relief operated as a form of roll-over or deferral relief that allowed a company to transfer qualifying assets to shareholders to continue the business in an unincorporated form, without the company incurring a corporation tax charge on the disposal of those assets. However, the conditions for qualifying for this relief meant that farming companies were excluded from using this relief to choose an unincorporated business vehicle. This is because the relief was limited to companies whose qualifying assets did not exceed a total market value of £100,000. In addition, the conditions for this relief seemed to be limited to single business companies and again this would have excluded a diversified farming business (such as one that ran other commercial activities such as a B & B or holiday let business alongside the farming activities). The scope of any disincorporation relief introduced must be less restrictive than the 2013 relief so that it can actually be used by businesses that want to restructure and disincorporate.

[8] Sections 58-61 Finance Act 2013

Partnerships

62. We have no comment.

Question 18: Please tell us about any complications or rules which unduly affect the way businesses operate if payment for the sale of a business is not made in cash but in some other way (such as qualifying and non-qualifying corporate bonds, deferred consideration and earn outs). To what extent is there a business tension between claiming a tax relief at the point of sale as opposed to deferring the tax charge until cash is received?

63. We have no comment.

Reliefs available to business owners/shareholders

Question 19: Is the scope of each of these reliefs intuitive or are there unexpected differences between them that create practical problems for businesses? Are there aspects of any of these reliefs that you consider are unclear or particularly difficult to utilise in practice?

64. One of the difficulties with reliefs for business assets is that taxpayers' perceptions as to which of their assets are 'business assets' does not match the approach taken in legislation, case law or by HMRC officials as to which business assets may qualify for relief. This is particularly acute for diversified rural businesses which may be operating several businesses in addition to their main agricultural activity. This can encompass running a farm shop or B&B to holiday lets, letting land for solar generation, and letting surplus accommodation. We advocate that diversified rural businesses should be able to elect for all their business activities to be treated as a single rural business unit. Whilst this has benefits for income tax reporting, it could be a welcome simplification for these businesses if all assets used by the rural business unit were treated as qualifying assets for CGT reliefs.

65. Now the business assets disposal relief (formerly ER) is substantially reduced and may even go altogether it seems illogical to align that to a test that only applied to a small aspect of CGT. It would be preferable to have a wholly or mainly test to apply to all CGT business reliefs to facilitate lifetime transfers. This is a test that is understood and generally operates well and is important for diversified businesses. The need to consider this test has become more important over the last 15-20 years as farmers have diversified to other land-based activities to support their farming operations. Diversification is only going to increase as farmers will need to find new income streams to support their farming operations when the current agricultural support system changes from 2021.

Compulsory purchase

66. An issue of fairness arises in relation to the current tax treatment of the compensation payments received by taxpayers who have had their land compulsorily taken for major infrastructure projects, such as HS2.

67. Disposals of land would normally give rise to a CGT charge unless a statutory relief applies. Taxpayers in receipt of compensation for the acquisition of land by

compulsory purchase may claim CGT roll-over relief under section 247 of the Taxation of Capital Gains Act 1992 (TCGA).

68. Section 247 provides that where land is disposed of by any person on or after 6 April 1982, to an authority exercising or having compulsory powers, relief may be claimed where further land, not being excluded land, is acquired. The landowner must not have taken any steps to make known his willingness to dispose of the old land to the authority or others by advertising or otherwise.

69. Although the relief is modelled closely on the roll-over relief for replacement of business assets in section 152 of TCGA there are differences which limits the taxpayer's ability to reinvest in an investment of his choosing. The landowner must apply the whole or part of the consideration for the disposal of the old land in acquiring other ***land*** (referred to as `new' land). Although there is no requirement that the old or the new land is used for any particular purpose such as a trade, the fact that section 247 restricts the relief to reinvestment in land results in a narrower and less flexible relief than that in section 152 which enables reinvestment in wider range of qualifying assets. For example, if let land with agricultural buildings are acquired by compulsory purchase, the proceeds of sale cannot be reinvested in replacement farm buildings on the retained let land or as shares in another business.

70. The CLA recommends that section 247 TCGA should therefore be extended to permit roll-over in circumstances where the new asset is not land, but an asset which would satisfy the section 152 TCGA conditions.

71. In addition, section 152(3) TCGA provides that the ability to claim roll-over relief is subject to the condition that the reinvestment in land is made within one year prior to the disposal or three years after it. Section 246 sets out the time of disposal and acquisition for the purposes of applying the relief in section 247. This is the time at which the compensation for the acquisition is agreed or otherwise determined. The final amount of compensation is normally agreed or determined after the completion of the infrastructure project, which may be many years after the land has actually been taken. Although the compulsory purchase system provides for a landowner to apply for an advance payment there is no method by which the landowner can enforce its prompt payment.

72. Difficulties can therefore arise for taxpayers who wish to claim roll-over relief under section 247 as the time limits in which to reinvest do not reflect practical or business reality, particularly where the taxpayer has specific needs as to the land he wishes to reinvest in. For example:

(1) It may be difficult for taxpayers to find replacement land at an affordable price in the timescale permitted for roll-over relief because:

- land in a suitable location does not become available on the market within the timescale prescribed by the roll-over relief rules;
- an imbalance in the supply and demand of land in areas affected by large infrastructure projects (e.g. land close to the route proposed for HS2) which forces land prices upwards making reinvestment unaffordable.

This is an acute problem for farmers who will look to acquire replacement land in close proximity to the rest of their holding. For them it would not make economic sense for their farming business to invest in land in a remote location, as machinery would have to be moved long distances or duplicated, and a management time overhead would arise.

The land market is now half the size that it was at about the time of the introduction of the current roll-over relief. In 1993 79,000 ha of land was sold and this rose until the peak in 1997 when 124,000 ha was sold. In 2013 less than 50,000 ha was sold. Finding land in the locality is often a once in a lifetime opportunity, HS2 will make the task of finding replacement land even more difficult due to increased competition.

Competing to purchase land at inflated prices would be damaging for the long-term rural economy.

(2) Taxpayers may need to acquire new replacement land before the current roll-over period commences to ensure business continuity. These business decisions have to be made once an authority 'safeguards' the land to be taken. This safeguarding decision/announcement means that land will definitely be taken for the purposes of the acquiring authority.

This is illustrated by the circumstances of a CLA member in Northamptonshire who has spent 21 years developing a successful equestrian business delivering high quality international training and 25 days of events. HS2 will effectively sever 35 acres of land rendering them unusable for the events run by the business in 2021. For the business to survive it needed to purchase replacement land two to three years before this so that it could be drained and landscaped in time to hold the usual events in 2021.

73. The CLA recommends that the TCGA should therefore be amended to provide for a roll-over period that commences when the safeguarding decision is made and ends 5 years after the final compensation is paid.

74. The CLA met with HMRC Capital Taxes team to discuss the issues set out above in 2017. HMRC referenced its discretion to expend the time limits for reinvestment and have since made some helpful changes to their guidance to reflect this. Although experience is that in most instances HMRC will grant the extension of time, they will not exercise their discretion until the reinvestment has been made some years later which causes unnecessary anxiety for taxpayers. We were advised that whilst HMRC recognised the limitations in the qualifying assets for the purposes of reinvestment under section 247, this was something that needed legislative change, which has yet to materialise.

75. The Government's stated aim is to promote greater predictability, stability and simplicity in the UK tax system. Although we have made recommendations above to amend the TCGA to provide a more effective roll-over relief for taxpayers faced with losing land to compulsory purchase, there is an alternative solution. This would be to provide that compulsory purchase compensation payments are exempt from CGT. This will provide much needed simplicity and certainty for tax payers affected by compulsory purchase as they will no longer face the risk of a tax charge several years after receiving their compensation, purely because they have been unable to reinvest in affordable land.

Question 20: Are there aspects of these reliefs which distort business decision making (for example in respect of such areas as the timing of the disposal of an asset,

or how much cash to accumulate on a company balance sheet) or are inconsistent with your understanding of what the relief is aiming to achieve? Are there any ways in which they could be made less distortive?

76. We have no comment.

Question 21: Should gift relief be extended to cover a greater range of business and investment assets as it was until 1989? What would the effect of this be? And would any extension open up unintended avoidance opportunities?

77. It would be helpful for gift relief to be extended to all assets used for the purposes of a business rather than restricted as it is now to assets used in a trading business. This would help diversified business owners to manage the transfer of the business to the next generation in a timely manner.

Specific asset classes

Question 22: Are there any aspects of the rules relating to the taxation of gains or losses realised on the disposal of shares and securities that are particularly complex to understand or apply? Are you aware of any difficulties in ascertaining the base cost of such assets, such as the share matching rules?

78. We have no comment.

Question 23: Are there any aspects of the taxation of gains arising from the disposal of investment properties, leases, land or buildings that you feel would benefit from being simplified?

79. As we have stated in paragraph 64, the CGT system would benefit from changes to reduce complexity for diversified businesses.

Land-pooling

80. The Government has talked of the need to build significantly more homes in order to keep up with population growth and to tackle years of under-supply. Amongst other things, in its Housing White Paper the Ministry of Housing communities and Local Government asked how land-pooling could make a more effective contribution to assembling land and wanted views on any barriers inhibiting greater take up, and how those might be addressed and in our response we raised the issue of the tax barriers to land-pooling which are set out below.

81. Currently, there exists a high level of tax-related complexity associated with land-pooling which is entirely disadvantageous to private landowners entering into and/or leaving land-pooling arrangements. This complexity does not incentivise private landowners to enter into land-pooling arrangements. Nevertheless, private sector land-pooling does take place but it is affected by very complex Capital Gains Tax considerations which can deter private sector land-pooling. If the Capital Gains Tax considerations were to be simplified, this might make private land-pooling a more attractive option especially if the landowner was given more certainty that no CGT charge would be payable either on entering or exiting such an arrangement.

82. In recent years, as Governments have looked for larger sites to be brought forward for residential development, landowners have looked to enter into collaboration agreements to facilitate the delivery of land. This has highlighted the potential tax disadvantages that can arise from such arrangements.

83. At its simplest, Landowner A owns White Acre and Landowner B, Black Acre. They wish to bring forward White Acre and Black Acre for residential development and decide to collaborate so that they can adopt a unified approach in the planning process, something which should help in the making of available strategic land. They are likely to want to agree, therefore, that they will promote the land and will not be concerned as to the land uses which are ultimately applied to White Acre and Black Acre and will wish to provide so that if the overall site is sold in tranches, which is very likely in the case of large sites, it will make no difference as to the order in which parts of White Acre and Black Acre are sold in terms of who receives proceeds, and in what shares. They will, therefore, wish to "pool" the site in some way by deciding on the percentage proceeds each should receive on the sale of any part of the site.

84. Under the current tax legislation, an agreement to "pool" in this way is potentially hugely detrimental. If part of White Acre is sold first then A will receive part of the proceeds as consideration for the sale of the land and will be able to put the relevant part of his base cost against those sale proceeds. A will not, however, get any allowable deduction for the part of the proceeds he is obliged to pay to B and will potentially pay tax on those proceeds. B will also be taxed on those proceeds paid to him by A but because he will not be selling any part of Black Acre, he will have no base cost against which to set the proceeds he receives.

85. In collaborating and agreeing to share proceeds, landowners will therefore wish to structure arrangements in a way that is not prejudicial. It should be emphasised that this is not aimed at achieving some kind of tax advantage, merely to eliminate the tax disadvantages which would otherwise arise from an informal pooling arrangement as set out above. One way of potentially neutralising the tax disadvantage would be through what is referred to as a "*Jenkins v Brown*" arrangement.

86. However, in recent years HMRC seem to have been making a deliberate effort to make such arrangements more difficult to put in place.

87. They have obfuscated on the SDLT implications of such arrangements and notwithstanding statements made by them in the past that such arrangements would not trigger SDLT, have suggested in recent years that they now take a different view. Most recently, HMRC referred an application for SDLT clearance to their legal team. Two years later no response to the application has been issued but the suggestion is that such a change of view would require primary legislation to implement. This has left the position uncertain.

88. Finance Act 2016 replaced the Transactions in Land code previously contained in Chapter 3, Part 13 ITA 2007 with a new code contained in Part 9A ITA 2007. This has eliminated the ability for clearance and it is unclear from the new guidance issued in December 2016 how widely HMRC will apply the new code. This has brought into question whether a *Jenkins v Brown* type pooling arrangement, and alternatives to pooling such as the use of cross options, might attract adverse tax implications.

89. We consider it extremely important that a mechanism is put in place which, from the tax perspective, ensures that such commercially acceptable, indeed desirable,

arrangements which are not put together for tax avoidance reasons can be structured without tax disadvantages to the efficient delivery of residential land which the Government wishes to achieve.

90. The risk for a landowner of making an agreement with a developer in these circumstances is that the landowner will not enjoy CGT reliefs which he gets with a disposal direct to the planning authority. This is a very complicated area of tax law that requires simplification (See *Ahad v. HMRC*[9] where the relief was lost because the particular party which effected the purchase did not have compulsory powers which were available to another of the parties).

91. The CLA believes that land-pooling is likely to be more successful if undertaken privately. This will be helped if the tax system is made clearer and more predictable. Inevitably the arrangements will be complex and it would be helpful if there could be a clearance procedure to enable the parties to be certain of the tax consequences of what they propose. We reiterate that we are making a request for an amended tax structure that will actually lead to the incentivisation of land-pooling by private landowners. What is required is a level playing field.

Question 24: Are there other asset classes (such as for example crypto assets) which present challenges or complexity for individuals on disposal?

92. We have no comment.

Company issues

Question 25: Are there particular areas of complexity that relate exclusively to companies? And if so, should these be simplified or made more consistent?

93. We have no comment.

Administration of CGT (for individuals, investors, and unincorporated businesses)

Administration

Question 26: Please describe any problems you have had (or anticipate having) in navigating the online systems or forms and provide any suggestions you have on how the forms or related guidance could usefully be simplified, made clearer or made easier to complete. Please specify which method(s) of reporting your experience relates to.

94. The requirement to file returns and pay any CGT due within 30 days of the completion of the sale and paper returns for second returns is illogical. The tax due is difficult to estimate and it is not clear when interest runs from and what a 'best estimate' really looks like. This 30 day filing and payment requirement is onerous, it duplicates effort and just advances cash flow without any benefit to the taxpayer. This adds to taxpayer's compliance costs and the time frame is too short in many cases, particularly as there remains a lack of awareness on the filing and payment deadlines. We would

[9] http://www.bailii.org/uk/cases/UKFTT/TC/2009/TC00291.html

suggest that estate agents/land agents, solicitors and licensed conveyancers could help raise awareness by providing their clients with HMRC produced leaflets explaining the reporting and payment deadline at an earlier stage of any affected transaction.

Question 27: Do you have any suggestions about how HMRC could use information it currently has or has access to, in order to reduce administrative burdens, improve customer experience and ensure compliance in respect of individuals' and businesses' CGT obligations? Does HMRC get the balance right between asking for information to avoid unnecessary enquiries and streamlining the experience for those with simple affairs?

95. The tax history of assets is often not available to those who have been gifted assets, particularly where the donor has subsequently died, and so these donees would not know if holdover relief had been claimed previously or what the correct base value would be for the purposes of calculating any CGT on a disposal. There is often no accompanying paperwork and it cannot be assumed that taxpayers' agents have the appropriate records, if indeed a professional tax agent advised and submitted returns at the time. Many agents only have a professional requirement to retain client records for 6 years and if there is a change in agents it is not uncommon for there to be gaps in the records that are passed to the new firm. Assumptions often have to be made about whether a previous holdover claim has been made which is far from ideal.

Payments

Question 28: Please comment on any complexities or practical problems that you have experienced (or anticipate) in relation to the process of paying CGT. Please specify which reporting system(s) your payment(s) relate to.

96. We have no comment.

Claims

Question 29: Are you aware of any particular practical or technical issues (relating to for example record keeping, awareness, use of ringfencing rules, timing deadlines or other challenges) for losses, other claims, or clearances that you feel should be highlighted as part of this CGT review?

97. We have no comment.

Record keeping, valuation and calculation of any tax payable

Question 30: What, if anything, could be done to help taxpayers to more easily fulfil their record keeping obligations and calculate any tax payable in relation to their capital gains?

98. As HMRC do not retain records of roll-over relief or holdover claims and taxpayers can experience practical problems with knowing the tax history of an asset (see question 27) we would suggest that it would be helpful if details of roll-over relief or hold over relief claims are recorded on and retained on the personal tax account.

99. We have been informed by our professional members that when taking over clients from other firms, the accounting records are not terribly good in reflecting the expenditure shown on the balance sheet. Typically, there is no detailed fixed asset register and the information volunteered on a professional clearance application is not complete. If a taxpayer has changed their professional advisers 2 or 3 times over a long period of ownership it becomes increasingly difficult to know accurate information. In addition, one example given was where a new client was taken on by an accountant. The client was looking at gifting some assets and knew that when they had bought their farm they had claimed roll-over relief but could not recall how much for. The previous accountant had no record of this. The new accountant wrote to HMRC to ask them for the information but they had not retained the records. The information on roll-over relief is not available to be able to accurately calculate the CGT on the gifts. If the record of the roll-over relief claim was retained in a central personal tax record, it would help to provide clarity on future dealings of the assets.

Question 31: Have you encountered any difficulty with valuing assets either at acquisition or disposal? What, if anything, could HMRC do to simplify the valuation requirements or processes without opening up unintended avoidance opportunities?

100. We have already commented in response to question 4.

Question 32: Would changing to a more recent rebasing date than 1982 make finding the base cost of a disposal easier or would any such benefit be outweighed by an increase in the number of valuations that would then be required?

101. If there is a rebasing to a date that is recent enough there will be more practitioners with experience and more data available concerning valuations at that time and as such the valuations will be much more straight-forward than is currently the case with 1982 valuations. We do not believe there will be an increase in the number of valuations triggered by a rebasing. As now, valuations will be triggered by a disposal and a need to calculate tax, or if there is a business decision to ascertain the value of the business assets to provide an updated value for the accounts (e.g. for financing purposes).

Estates in administration

Question 33: Are there particular aspects of the taxation of capital gains made by those administering an estate that could be simplified?

102. One aspect of the taxation of CGT that greatly simplifies the administration of estates is the fact that there is a CGT uplift of death. This means that the executors and their professional advisers do not need to hunt out the historic records for property in the estate to ascertain if there had been any previous claims for holdover relief or roll-over relief. As we have set out above, this information may not be readily available if there is a lack of paper records and the deceased is not there to explain the history.

103. It is also much easier to obtain a probate valuation based on the value at the date of death than to establish historical valuations. Without the CGT uplift on death, the businesses may no longer be viable as they would have to fund a significant amount of dry tax charges, and have to sell assets whenever they want to pass business assets to the next generation.

Interaction between CGT and IHT and with other taxes

Question 34: To what extent does the absence of a CGT charge on death and transferring those assets at market value on death distort and complicate the decision-making process around passing on assets to the next generation?

104. We have already commented in response to question 3.

Question 35: Are there any aspects of the taxation of gifts or other disposals that are not made at market value, that you feel would benefit from being simplified? Should the range of assets eligible for a tax deferral when they are gifted be broadened to include a greater range of assets? And would any extension open up unintended avoidance opportunities?

105. Yes, the gifts hold over rules should be broadened to include a greater range of assets as this would help diversified businesses to be passed on.

Question 36: Are there instances where you feel the interaction of CGT with other areas of tax results in particular complexity or difficulty in applying the rules correctly? Are there definitions within CGT that would benefit from closer alignment with the definitions found in other taxes? Please provide examples, as well as any suggestions for ways to simplify the system.

106. See comments in paragraph 65 on business reliefs and wholly or mainly/substantial extent.

Question 37: Are there instances where you feel the interaction of CGT and capital allowances (in respect to income or corporation tax) results in particular complexity, difficulty in applying the rules correctly, or unexpected tax outcomes?

107. An unnecessary complication is the interaction of the structures and buildings allowance (the SBA) with CGT as it will apply to agricultural buildings which have a useful lifespan of less than 33 years, the period it would take for the cost to be covered by the SBA at a rate of 3% per annum. For example, a specialist pig building will only have a lifespan of 15 years. Other agricultural buildings typically have a class 2 designed lifespan of 20 years.

108. Section 37B, introduced by the Capital Allowances (Structures and Buildings Allowances) Regulations 2019 has effect to create a deemed disposal of the building when it is demolished at the end of its lifespan. As the demolished agricultural building will have no capital value at that point, the effect of new section 37B is to create a capital loss equivalent to the unclaimed portion of the SBA. Whilst in theory such losses can be carried forward to be set off against a future gain incurred by the business, the reality for farming businesses is that these losses will be unrecoverable. Farming businesses can generally ill afford to dispose of substantial assets to create the gain needed to set off against the SBA generated losses and as such can never fully recover the cost of the investment in much needed agricultural buildings.

109. If farming businesses are not to be financially disadvantaged by the operation of the section 37B the rules should be amended to allow a balancing adjustment specifically for agricultural buildings. This could be achieved by including provisions in similar terms to the balancing adjustment provisions set out in Part 4 of Chapter 5 of the Capital Allowances Act 2001 (as originally enacted).

Other areas of complexity

Question 38: Are there any particular areas of complexity that are unique to partnerships?

110. We have no comment.

Question 39: Please tell us about any other areas of complexity not covered above in applying any CGT reliefs, thresholds, or administration not already mentioned in your response, along with any suggested improvements to the CGT rules or legislation.

111. We have no comment.

Question 40: Are there any areas of complexity that are specific to England, Scotland, Wales or Northern Ireland?

112. We have no comment.

Wider CGT framework

Question 41: Do you think that there are ways in which the taxation of capital gains should be reformed more widely to simplify the regime for the benefit of taxpayers? If so, how?

113. We have no comment.

Question 42: Do you think it would be reasonable for some reliefs or exemptions to be removed if they fail to meet what you regard as their policy objective or are infrequently used? If so, which ones?

114. We have no comment.

Question 43: Are there any useful lessons that can be learned from the UK's historic CGT regime or other countries that would be relevant to the UK today? If so what, and from which countries?

115. We have already commented in paragraph 13 on the existence of a taper relief in France for assets held over long periods.

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