

## IFA PBR reaction

*In last week's pre-Budget report Alistair Darling announced the abolition of taper relief from April 2008 and a blanket rise in capital gains tax to 18 per cent. Investment Adviser surveyed five leading IFAs from across the UK to gauge the impact the changes will have on the advisory community*

Roddy Kohn, managing director of Kohn Cougar

"Taper relief was introduced by the previous chancellor as an incentive for entrepreneurs to keep growing their businesses. Alistair Darling has shot himself in the foot, but at the end of the day I am not surprised. I do not expect Budgets to be full of anything other than skulduggery, and in reality whatever governments give away in terms of tax breaks they will claw back from somewhere else. Also on the one hand we have the government talking about the need to save and at the same time they have increased capital gains tax substantially so it acts as a disincentive for many people to save through the traditional route of unit trusts. The chancellor has also effectively abolished indexation exemption. Gordon Brown's previous advice was to hold an asset for 10 years to benefit from indexation and now the exemption has been scrapped it undermines investor confidence in instruments the government notionally promotes. The historic meddling with savings will discourage people from investing in the future."

Colin Jackson, director of

Baronworth Investment Services

"Getting rid of taper relief means any IFA company that is planning to sell will want to do so before April, because otherwise they could be considerably worse off. We could see a flurry of sales. As far as clients are concerned, there are certain investments where taper relief is of enormous benefit to investors, so real returns may be slightly less. Having said that, providers are normally quite bright. They have plenty of time to give it some thought and come up with schemes that could help."

Keith Churchouse, director of

Churchouse Financial Planning

"The new CGT seems to be a knee-jerk reaction to try and catch private equity firms. They have had a wonderful time, but it is the small firm that is biting the big one for that. There may well be IFAs out there who change their business model because while trail is worthwhile, you will be taxed on the profit. In terms of investors, it will only affect the upper end of the market. A good example is Aim shares, which are going to become a lot less attractive if the government starts charging CGT as heavily as they are proposing."

Marlene Shalton, financial

planner at Chambers Morgan James Financial Management

"There will be clients who want to know how the new rules affect them, but I am not expecting the phone to ring incessantly. A lot of clients will probably wait to hear from us, and if we do think we have a clients this is going to affect we will write to them. The CGT question is an individual issue, it is not a carte blanche that is going to affect every client. People who have large gains might be inclined to sell early, and if people are advising clients to invest in life assurance bonds they might have to rethink that. It is like any change in legislation - we will incorporate it into our review system and act accordingly."

Alan Lakey, partner at

Highclere Financial Services

"The impact of the changes on us as IFAs is we will now be forced to continue running the business into semi-retirement. When the time comes to sell, a buyer will pay maybe twice your recurring income, which is great if you have managed to factor your business on a recurring model, but we have not. I could probably sell my business for just under £100,000 on that valuation, and tax on top of that is even worse news. Added to that, the increase in capital gains tax will have two impacts on clients. First, it has made buy-to-let more attractive and those using buy-to-let as a way of saving in retirement will benefit massively. Second, the bad news is clients who have used bonds in the past will find them much less attractive. One advantage of bonds is you use the underlying tax allowance the underlying insurance company has. At the moment companies pay CGT at a discounted rate, which will probably not be the case across the board after next April. This possibly pushes the argument between bonds and unit trusts towards unit trusts. In purely tax-related terms Oeics and unit trusts now appeal more than investment bonds."

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