

Libdem treasury spokesman is grim on family business tax

At a press conference on February 26 sponsored by the London-based [Professional Contractors Group](#), Liberal Democrat Treasury Spokesman [Jeremy Browne](#) was grim about the prospect of blocking the proposed [Family Business Tax](#).

No Apparent Willingness To Compromise

"The Government is giving no indication of any willingness to compromise," Browne told ContractorCalculator in an interview. "We have of course seen the Government backtrack on the capital gains tax and on non-domiciled taxpayers, but that only suggests that the Government will be less willing to admit changes in other proposed legislation."

Browne did say that there are rumours going around of a possible compromise which would involve an exemption for businesses below a certain income level. Still, Browne had not had any word of such changes either officially or unofficially in Parliament. "As the protest effort continues," Browne points out, "it is possible that the Government will change its attitude."

"The proposal is clearly unworkable," Browne insisted, "yet the Government is likely to pass it and then to spend two years failing to make it work before it is changed."

PCG Leads Protest

PCG has led an ongoing protest effort against the Family Business Tax, which would prevent contractors from [sharing dividend income](#) from their [limited companies](#) with their partners or spouses. This protest effort has been joined by every tax expert group in the UK like the Chartered Institute of Taxation, along with small business organisations like the [Federation of Small Business](#).

As PCG managing director John Brazier said at the conference: "PCG believes that when two or more people are equally exposed to the risk of running a business, they should be equally entitled to share in the rewards: this proposal denies this basic principle." Brazier further pointed out that the proposals show a total lack of understanding of how family businesses operate: applying 'commercial' tests to them is nonsense, because they only exist, and only operate, by virtue of family relationships, not 'commercial' ones.

Browne made a similar point: "Look at a family farm, where father, mother, and children all pitch in at different times to help with various activities like the harvest, or taking a tractor to be repaired. How do you establish an 'arms-length' or 'commercial' valuation for all that real work?"

Government Will Not Raise Income on Family Business Tax

Browne went on to explain that the Government's goal of raising an additional 200 million pounds on this new tax was unrealistic. "The costs of administering this proposal are going to cut heavily into the potential revenue from it," Browne said.

One Ray of Hope

There is one ray of hope in all this grimness. Browne said that the very substantial support for the [Liberal Democrat Early Day Motion](#) which opposes the Family Business Tax was a good sign, and one the Government might take note of. More than 140 MPs, including a substantial number of Labour MPs, have signed the Early Day Motion which was proposed by Liberal Democrat MP Robert Smith on January 16.

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“ The Government apparently has no willingness to compromise on the Family Business Tax ”

Jeremy Browne-Liberal Democrat Treasury Spokesman

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