



Budget Considerations.

With the budget fast approaching I began to think about its likely content and the implications for the UK economy. Making predictions would be pointless as by the time you read this Mr. Darling will have delivered his first budget. However these are some of the issues he has to grapple with.

One of the major changes proposed is the introduction of new tax legislation for foreign domiciles and the £30,000 charge. This will have significant implications for the UK financial services sector and London in particular. London is the World's premier financial centre. It offers clear and reliable law, free and transparent markets, a strong body of expertise and a competitive tax environment.

It has, for some time, been the preferred financial centre for foreign companies, many of which opt to have their shares quoted on the London Exchange. For this reason, London has become very wealthy and has made a major contribution towards UK economic prosperity. This has not gone unnoticed by the politicians.

Governments frequently claim prudence whilst practicing profligacy. This Government's record is no different. It took £20bn from the telecoms companies when it auctioned the 3G licences and up to £100bn from UK pension funds by abolishing their tax relief on dividends.

In a survey by the CFA (Chartered Financial Analyst) Society of the UK (CFAUK) 37% of non-domiciled respondents said they would either leave the UK within a year or before they achieved seven years residency if the new regulations are introduced.

At present, the emerging markets and Asian economies generally compete in manufacturing involving assembly. But as they grow and become more financially sophisticated they will start to catch up in financial services.

Taxation generated by the people in companies that are based, or work, in London help to fund vital services throughout the remainder of the UK. Our reputation for a strong financial services sector is already damaged by the failure of Northern Rock which slipped through the regulatory structure that was introduced by the Prime Minister 10 years ago.

Having mugged the UK taxpayer for the proceeds needed to prop up Northern Rock it would be a pity if we now try to plunder the overseas wealth of non-domiciles.

Perhaps somebody should remind the Chancellor and Prime Minister that once upon a time we had a strong car industry – until the Government got involved!

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