RICHARD BENYON
Member of Parliament for Newbury

September 2016

Dear Constituent

Closing the tax loophole

Thank you for contacting me about the 'Mayfair Loophole'.

The Government has taken decisive steps to ensure that asset managers pay their fair share of tax, both at Summer Budget 2016 and through the Finance Act. It is right that when investments are held for the shorter term, and the activities undertaken are more akin to trading, then the profits that fund managers receive should be subject to income tax and not capital gains tax (CGT). That is why the Finance Act ensures that these investments are taxed as income as the same way management fees are.

The Government supports the asset management industry in the UK and believes that carried interest should be subject to capital gains tax and not income tax if the investments are held in the longer term, reflecting the underlying performance of a fund's investments. This is in line with other countries and the approach taken by successive UK Governments.

However asset managers must pay the correct amount of capital gains tax. This is why the Government has closed loopholes and ensured that asset managers do not benefit from the cut in the main rate of CGT, meaning they will continue to pay the higher rate of 28 per cent.

These reforms will make sure that asset managers pay their fair share of tax whilst continuing to make the UK an attractive place to do business.

Yours sincerely

Richard Benyon.

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