

## NEWS



FT montage, Getty

agreed to the salaries of Mr Mrs Forsyth in 2013, 2014 and 2015.

Jim Stovold, head of tax at PwC, said it was not unusual for family-owned businesses to recognise the contribution of spouses and adult children by paying them a small salary. But to be acceptable to the tax authorities, the amounts paid would need to be "reasonable" and in line with the market rate.

In the case of Mr Forsyth and his wife, matters seemed to have gone beyond what could be considered reasonable, with his wife becoming the highest earning employee save Mr Forsyth," Mr Stovold said.

Dominic Lawrance, partner at law firm Charles Russell Phillips, added that the case was potentially an example of inaccurate tax reporting.

Mr Forsyth was contractually entitled to salary and bonus, and he purportedly transferred proportions of the relevant sums to Mrs Forsyth

to take advantage of her lower tax rate," he explained. "The reality of the situation was that this was Mr Forsyth's income and he should have paid tax on all of it."

Charles Calkin, financial planner at wealth manager James Hambro & Partners, said the Forsyth case caught the regulators' attention primarily because of corporate governance issues. However, in other circumstances, married couples and those in a civil partnership can legally reduce their tax liabilities by pooling their tax allowances and passing assets between them. Doing so can help couples to avoid triggering a charge to capital gains tax or inheritance tax.

He added that the marriage allowance can help low-income households reduce their income tax bill by as much as £250 a year by allowing the lower earner to transfer £1,250 of their personal allowance to a higher earning spouse or civil partner.

# Overseas property buyers face UK stamp duty rise

## TAX

### Conservative Party set to raise surcharge to 3 per cent

JAMES PICKFORD

Overseas buyers of UK property would face a stamp duty surcharge of 3 per cent under proposals unveiled by the Conservative party ahead of its manifesto launch.

Non-resident homebuyers currently pay the same rates of stamp duty land tax as those living in the UK, but the government has been consulting on adding 1 percentage point on the duty for overseas buyers. This week, the Conservatives said they would bring in a 3 per cent surcharge if elected with a majority.

The party estimated the duty would affect up to 70,000 transactions a year and raise £120m in revenues – money it would set aside to tackle the problem of rough sleeping.

It cited academic research suggesting overseas buying activity drives up house prices and pushes out first-time buyers and other domestic purchasers.

Rishi Sunak, chief secretary to the Treasury, told the BBC Radio 4's *Today* programme that UK residents should "have a good bite at the apple when it comes to buying a home" and pointed to higher tax charges for over-

seas buyers in other countries such as Canada, Denmark and New Zealand. "It will have a positive impact on home ownership and a reduction in house prices," he said.

If it comes to pass, the plan will leave some foreign buyers at the top end of the market paying as much as 18 per cent in stamp duty.

The top rate is 12 per cent, charged on the portion of the price above £1.5m. But where buyers (including British expats resident abroad) already own a property elsewhere, the new surcharge would be in addition to the 3 percentage point surcharge on second homes and buy-to-let properties, which is levied on the whole price.

Housing market experts said the policy would be met with dismay by property developers, since big city centre schemes were often made possible by future purchase pledges by overseas buyers and the deposits they provide.

"Hitting overseas buyers with higher stamp duty threatens the London housing market, especially before any post-Brexit bounce could kick in," said Dean Clifford, co-founder of Great Marlborough Estates, a London focused developer.

Next week's FT Money will provide in-depth analysis on how pledges in the political parties' manifestos could affect personal finance issues.

