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Industry Update

Potential UK Labour Party Leadership Change — Tax Implications

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Labour Party Leadership and Potential Fiscal Policy Reforms

Speculation around current UK Prime Minister Sir Keir Starmer's long-term position has intensified following recent weak local election results. While the Prime Minister's position has not yet been formally challenged, several figures have announced their intentions to challenge for the leadership role. Any new leader may seek to deviate from the fiscal position taken by Starmer to date. We have looked at potential positions on tax to be taken by those rumoured to be the main contenders.

Wes Streeting

Streeting has recently publicly advocated a "wealth tax that works" and has specifically proposed aligning capital gains tax (CGT) rates (currently 18% and 24%) so they mirror the three bands of income tax (currently 20%, 40% and 45%) with a person's CGT band calculated by adding up both income and gains from assets — rather than, as currently, determining the CGT band by reference to capital gains alone.

Similar proposals were echoed in a [report](#) on 11 May published by the Labour Growth Group, an influential group of Labour MPs reported in the press to be allied with Streeting. That report recommended aligning CGT rates more closely with income tax, with the proceeds raised to be used to cut employee national insurance. The report notes that CGT rate increases will be offset with targeted reliefs to protect "genuine investment and risk-taking".

While Streeting has not made any announcements on corporation tax, the Labour Growth Group report referenced above proposes reforming corporation tax so "productive investment receives upfront relief across business expenditure, the debt-equity bias is reduced and the headline rate moves only as the residual required to keep the reform revenue-neutral".

Andy Burnham

Currently, the Mayor of Manchester, Andy Burnham, is viewed as the strongest challenger, if he can win the upcoming Makerfield by-election that will enable him to re-enter Parliament.

Andy Burnham is widely perceived to be more left-leaning than Wes Streeting. He has not recently set out any proposals on tax, but we can expect policies to follow if he wins the by-election. He is reported to be allied to the Tribune group of Labour MPs, who recently published [an essay](#) which references bringing CGT closer to income tax rates.

Angela Rayner

Angela Rayner, formerly the Deputy Prime Minister, remains influential within Labour's membership base and trade union wing. It is unclear whether she would stand for the leadership.

Rayner has herself been caught up in a tax scandal in relation to underpayment of stamp duty land tax on a second home. Again, she has not recently expressed any policy positions on tax. However, when she was Deputy Prime Minister she was reported as putting forward a discussion paper with proposals such as increasing the rate of corporation tax on banks and expanding the scope for people to be included in the highest income tax bracket.

Sir Keir Starmer

It is possible that Starmer will successfully defend his leadership. Even in this scenario, a leadership contest is likely to prompt him to refresh his position on policies, including tax.

Autumn Budget

The next UK fiscal event is currently expected to be the Autumn Budget in October or November. By that stage, there could be a new Prime Minister (and Chancellor), so it is likely that they will use the Autumn Budget as the first major opportunity to set out their changes.

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If you have any questions concerning these developing issues, please do not hesitate to contact any of the following Paul Hastings lawyer:

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