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## Business chiefs say NO to rise in CGT: Hike will have a 'chilling effect' on economy

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**George Osborne's plan to raise CGT to 50 per cent will have a 'chilling' effect on the economy, according to business chiefs**

Leading businessmen who backed Tory plans to rein in Labour's National Insurance rises have turned on the coalition government over looming hikes in capital gains tax.

Captains of industry told the Daily Mail that tax increases drawn up by the Liberal Democrats for next month's emergency Budget could have a 'chilling' effect on the economy.

The Government has said it wants to increase the rate of CGT from 18 per cent towards the rates applied to income tax, which could see it rise towards 40 or even 50 per cent.

Several business leaders are now backing demands by Tory right-wingers that any rise should be tapered so that the longer an asset has been held, the lower the tax paid on it.

That would shelter the millions of hard-working families who have made investments in property or shares outside of pension funds, who otherwise will be hit hard.

The intervention of the business leaders is particularly embarrassing for the Tories, who trumpeted their support over

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National Insurance during the election campaign.

Dozens signed up to a letter backing Conservative proposals to block part of Labour's 'jobs tax', which was due to hit firms from next year.

Their remarks on CGT will increase pressure on Chancellor George Osborne, who is understood to be considering ways of mitigating the rise to protect entrepreneurs and people nearing retirement.

Luke Johnson, founder of Risk Capital Partners, one of the signatories of the election campaign letter, said it was ironic that Labour cut CGT yet a Tory-led coalition was threatening to increase it.

He added: 'This will have a hugely chilling effect on the appetite for entrepreneurs and other investors to risk money and effort to build companies here.'

Ian Cheshire, chief executive of Kingfisher, another signatory to the NI letter, said: 'On capital gains tax the key issue is the threshold. The suggestion it is being brought down to £2,500 affects a whole new number of people who would be hit with a high rate of CGT for first time.'

Nick Fletcher, chief executive of wealth managers Saunderson House, said 'Who will want to take as much risk if CGT and inflation are going to rise?'

Terry Smith, chief executive of Tullett Prebon said proposals for taper relief drawn up by former Tory ministers David Davis and John Redwood were 'obviously right'.

He added: 'For the coalition government introduce a blanket increase in CGT rates would in effect be a retrospective tax for those who have accumulated gains over the long term - retrospective taxation is rarely if ever defensible.'

Sir Martin Sorrell, chief executive of advertising giant WPP, said plans to review Labour's taxation of firms' overseas income might lure his business back to Britain from Ireland.

He added: 'There should be taper relief to encourage and reward long-term investment and tax short-term trading.'

A Treasury spokesman said: 'On day one, George Osborne asked for all the options to be put before him. No decisions have been made but we have been clear about the need for generous allowances for entrepreneurial business.'