



15 October 2007

Dear Chancellor,

We are writing with regard to your decision in the Pre-Budget Report to end Capital Gains Tax taper relief.

The reaction of our memberships has been so universally strong that we have felt it necessary to write collectively to make clear the depth of our shared concerns.

Your announcement came as a bolt out of the blue. Despite the statement that this decision was driven by the need to simplify the tax system, none of our organisations has ever raised ending taper relief as a desirable step. Neither did the Treasury signal at any point that such a change was in prospect.

The impact of the decision will be felt throughout the economy. The net effect will be to set back the growth of the economy over coming years, by discouraging longer-term investment and risk-taking.

Owners of small enterprises, who have toiled over years to build up an asset, are now faced with selling up before April or facing a substantial dent to their investment. The 1.7 million ordinary employees who are in company share schemes could also face an 80% increase in their tax bill and a serious disincentive to taking up and retaining share options in the future. Business angels and venture capital funds say they too will be discouraged from taking risk and investing for the long game.

Many of those affected have already made investment decisions. The retroactive nature of this move has undermined their reasonable expectations.

Our members were already deeply concerned by the move in the last Budget to raise small business corporation tax over each of the next three years. Combined with this week's decision on Capital Gains Tax they feel that the government's ten-year effort to create a pro-enterprise agenda has been put into reverse gear.

On behalf of our combined memberships we urge you to pause, suspend your decision and enter into urgent and detailed discussion with the key business organisations to resolve this situation. We will work with you towards a better solution that meets the government's objectives, however we do need to understand what those objectives are.

We look forward to an early response and to identifying an alternative way forward that averts serious damage to this country's entrepreneurial culture.

Yours sincerely,

David Frost
Director General
British Chambers of Commerce

Richard Lambert
Director-General
CBI

John Wright
National Chairman
Federation of Small Businesses

Miles Templeman
Director General
Institute of Directors