

Committee on Standards in Public Life

Hearings – 27<sup>th</sup> January 2011

Jury Team – Opening Statement

The Jury Team, a registered political party, thanks the Committee on Standards in Public Life for asking it to give evidence and wishes to make three points which might not otherwise be registered in oral evidence

Taxation of Donations

There is a very unfair current distinction between the taxation treatment of donations to existing and to new political parties. This results from taxation legislation not being updated following the introduction of the Political Parties, Elections and Referendums Act 2000. The Committee is recommended to encourage the government urgently to remove this anomaly.

Inheritance Tax ("IHT") is usually paid on an estate when somebody dies. It is also payable on gifts made during someone's lifetime. Any gifts made in the seven years before someone's death are added to the value of their estate at the time of death. If the level of gifts within seven years plus the estate reaches the threshold (currently £325,000) then the tax is payable. The current rate of taxation is 40%. There is an exemption for gifts to registered charities.

The anomaly which greatly disadvantages new or small political parties is that the definition of a "political party" remains as defined in the Inheritance Taxes Act 1984 ("IHTA 1984"), where Section 24(2) states:

*(2) A political party qualifies for exemption under this section if, at the last general election preceding the transfer of value-*

*(a) two members of that party were elected to the House of Commons, or*

*(b) one member of that party was elected to the House of Commons and not less than 150,000 votes were given to candidates who were members of that party.*

This means that donations to any other political parties are subject to the IHT legislation and those political parties are potentially liable to pay Inheritance Tax if they receive a gift from someone who dies within seven years of making the gift.

The HMRC website states that the only political parties which may currently claim an exemption are: Conservative, Labour, Liberal Democrats, Ulster Unionist Party, Social Democratic and Labour, Scottish National Party, Democratic Unionist Party, and Plaid Cymru. In addition the Green Party would now after the 2010 general election qualify (1 seat

and 285,616 votes) but the HMRC website has not been updated for this. Thus any donations to political parties such as UKIP, Alliance (Northern Ireland), English Democrats or the Jury Team are subject to the IHT legislation.

It is clear that IHTA 1984 Section 24(2) should be updated to read:

- (2) *A political party qualifies for exemption under this section if it is registered with the Electoral Commission at the time of the donation.*

There can be no justification for there being any taxation difference between different registered political parties.

It is easy to see that when the IHTA 1984 was drafted it was necessary to have a definition of a political party and the one currently shown in Section 24(2) was chosen. At that time there was no other legal definition of a political party. However "political party" is now defined in the Political Parties, Elections and Referendums Act 2000 Section 23 as being a party registered with the Electoral Commission and the IHTA 1984 should be updated to recognise this.

#### Hayden Phillips Donation Recommendations

The Jury Team fully supports the Hayden Phillips recommendations to limit donations and regulate giving through trades unions. However they were put in place with the objective of trying to prevent any organisation or individual from influencing policy.

The Jury Team notes that there is no mention of smaller parties in the recommendations and, as these clearly by definition cannot influence policy, then it believes that such parties should not be covered by the recommendations. This will assist organisations and individuals to start new parties and thereby maintain a vigorous democracy.

#### Honours

Although the New Year and Queen's Birthday Honours are now administered independently by the civil service and by a series of committees, nominations to the House of Lords remain heavily politicised.

In particular there is clear evidence of people being nominated to the House of Lords by party leaders as a result of donations which they (or organisations they control) have made to a political party.

It is recommended that no nomination to the House of Lords should be made for anyone who has donated more than £50,000 in the previous five years to a political party.