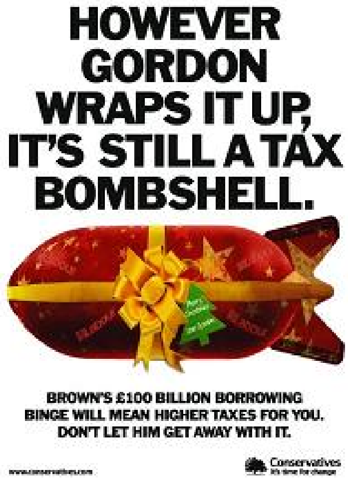

Although the date for this year's Pre-Budget Report has yet to be announced, we know that it is imminent and therefore the usual speculation as to what may be included has started in earnest.

The state of the public finances means that no-one is expecting the Statement to include any generous tax breaks and therefore the main focus from those looking to second guess Alistair Darling is how far he will go in raising taxes. With a General Election around the corner expect more revenue raising measures aimed at the banks, "the rich" and measures to increase taxes "environmental" taxes which may or may not include the following.

There seems to be a consensus amongst the tax profession that the current rate of capital gains tax of 18% is not going to be around for much longer. The new 50% tax rate for earnings over £150,000 which will come into effect next April will mean that, for some taxpayers, their income will be taxed at a rate nearly three times greater than their capital gains! It is unlikely that such a discrepancy will be allowed to continue as it provides a massive incentive for taxpayers to try and convert income into capital gains. It also provides the Chancellor with an opportunity to raise additional tax revenue whilst at the same time claiming to be taking necessary steps to prevent the rich exploiting the tax system (a system he introduced he should, but won't add!).

Measures targeted at the Banks are also thought to be on the agenda. These banks have, of course incurred massive losses over the past couple of years resulting in almost unimaginable amounts of taxpayers' money having to be pumped into them to prevent them from going under. However, whilst it might have been thought that the taxpayers would start to recoup some of their investment by way of corporation tax receipts when the banks return to profit, the fact is that these banks have huge amounts of trading losses available to set against future profits which means that it might be a generation before these losses have been exhausted and the banks start paying corporation tax again.

Therefore it would not be unexpected for the Chancellor to introduce new measures which prevent trading losses being carried forward for more than six years. Whilst this may play well with the electorate as it is seen to be making sure that the banks start paying back into the system much more quickly than they would have done, this change would impact on every trading company which has incurred substantial losses over the past couple of years and who expect not to make sufficient profits to absorb these losses over the next six years.

Another prediction doing the rounds is that the new 50% top rate of income tax referred to above, will actually apply to all earnings over £100,000, a move that result in many more taxpayers having to pay half of all their income over to the Taxman.

Such a move would undoubtedly lead to more people looking at ways in which they can shelter their income so we can therefore expect there to be a raft of anti-avoidance provisions aimed at closing down tax planning ideas currently being enjoyed by many businesses and individuals. Expect there to be a rush of taxpayers looking to complete planning ideas before the PBR!