

14<sup>th</sup> July 2015

Dear Constituents,

Thank you for contacting me about the so-called 'Mayfair loophole'.

The so-called 'Mayfair loophole' is part of the capital gains system and was agreed by the last Labour Government. It allows private equity firms to treat their profits as capital gains when there is capital at risk.

I welcome the clampdown, announced in the budget, to ensure that fund managers cannot use tax planning to avoid paying the appropriate amount of capital gains tax on "carried interest". It is correct for the Government to treat carried interest as a capital gain, and not income, as it reflects the underlying long term performance of a fund's investments.

Even so, I can assure you that the Government has taken action to increase tax on private equity by raising the rate of capital gains tax from 18 per cent to 28 per cent. This tax increase also means that hedge fund managers no longer pay less tax than their cleaners – a situation the last Labour Government did nothing about in 13 years in office.

Beyond this, the Government is taking other actions to tackle aggressive tax avoidance and tax evasion of both large companies and individuals. It has led the world on changing international tax rules and is implementing those changes in Britain.

It has also gone further on tackling tax avoidance and evasion than any previous Government, closing more of the loopholes it inherited, and raising £85 billion in compliance activity. In addition, the Chancellor has made clear the Government's commitment to recoup an additional £5 billion by further clamping down on tax avoidance during this Parliament at the same rate as it has for the last 5 years.

Thank you again for taking the time to contact me.

Yours sincerely,



**Alok Sharma MP**