

# JUSTIN'S COMMENTARY

**SEVEN**   
Investment Management

Justin Urquhart Stewart is one of the most recognisable and trusted market commentators on television, radio and in the press. Originally trained as a lawyer he has observed the retail market industry for 30 years whilst in corporate banking and stockbroking, and has developed a unique understanding of the market's roles and benefits for the private investor.



## **SOME MORE RADICAL COMMON SENSE FOR TAX OR...**

### **Some More Radical Common Sense for Tax or am I just "three stops short of Dagenham?" (Or...Barking on the District Line)**

The argument over Tax Credits is very sensitive at various levels. Certainly most would agree that its reforms are going to be financially very painful for those at the poorer end of society, but it also impacts on those further up the financial scale and for those with greater responsibilities such as young children. Often it can be the Tax Credit that tips the decision as to whether a partner can afford to go out to work or not - it's not about being seen as a shirker.

It is also sensitive in that it has been used on occasion as an excuse to depress potential wages. Sadly I have come across examples where prospective employees have been offered a lower package on the basis that it would be topped up by the individual applying for their Tax Credit, thus almost encouraging the more unscrupulous employers to take unfair advantage of the system and keep low wages even lower.

Then again it is sensitive on another level because of the size of the Tax Credit bill which Mr Osborne tells us is now over £4.5bn per annum. Frankly I have always seen it as a typically complicated tax concept from Gordon Brown, which may have originally been born out of good intentions but was hideously cumbersome in its operation. When introduced it was regarded as a complicated system designed by someone who was no doubt very clever but had obviously no understanding of the bureaucracy involved (Gordon Brown). He thought that it was just a good way of getting around a problem - giving the financial support to those wanting to get back to work. Unfortunately from the start of its operation it was a mess. First you pay tax and then you claim it back as a tax credit - sounds simple but why bother - why not just pay less tax!

So what started out as an incentive has grown "like topsy" to now become a financial dependence as difficult to shake off as any drug addiction. Most would now agree that it has to be reformed as it is only going to get worse and so become even more difficult and painful to shake off.

Thus we should look for more imaginative ways of adjusting to minimise the pain, whilst still being able to benefit from the gain of its final reform and even potentially its removal. Now in the Autumn Statement due next week (another Budget in all but name) The Chancellor will no doubt be producing a 'rabbit out of hat' solution to this problem, but he will definitely not wish to be seen to be climbing down for reasons of policy, pride and politics.

So how about another idea: Why not ask those further up the financial scale to pay a limited sum each for a given period of say five years, which then would then be able to be reclaimed back plus a coupon (dividend) value over the following five years. If we had one million UK taxpayers paying an extra £1,000 each year, that would be £1 billion pounds each year and obviously £5 billion over five years which would then be offset by those payers with their coupon value against their own tax liabilities for the next five years.

The effect would be to smooth the painful period of adjustment for those at the weakest point, and allow the government to show that it was taking from those with the broadest shoulders, not the weakest, and looking to lessen the pressure during that time - and then fairly reward the 'broad shouldered' for doing so thereafter. Just a thought - radical common sense? I hope so.

## **A Very Sensitive Find**

Despite the slump in the price of oil, it can be good news if a country with scarce natural resources makes a positive find. So this must be good news for Israel which, for all sorts of political reasons we all know, finds it quite difficult to enjoy a sustainable source of oil from its neighbours. However, on this occasion, the site of this find is in the occupied territories, and not just the West Bank, but in the occupied Syrian territory of the Golan Heights.

Apparently the potential size of the find could be enough to make Israel self-sufficient in its oil requirements for the first time since its inception. The nation currently consumes 270,000 barrels per day. This a valuable addition of energy supplies for Israel after the offshore gas fields' reserves were located in the Tamar and Leviathan fields off Gaza and Israel back in 2009.

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**And finally...**so who is in your bed? I think the quality and calibre of burglars is definitely changing, and let me give this as an example.

Portland police say Dean Defeudis, 32, broke into a Portland (Oregon) home recently and gathered items of value. He then stripped naked, climbed into bed with a man and woman and then kissed the man.

"The victim woke up and the suspect was sitting on top of him holding a knife," Portland Police Sergeant, Pete Simpson, said in a written statement. "The victim pushed the suspect off of him as the victim retrieved his handgun and began giving the suspect commands to stop."

"The suspect put his pants on and ran out of the home, chased by the victim who fired three shots near the suspect to get him to stop," Simpson said.

Mr Defeudis was not injured in the incident, and is to be arraigned in Court on burglary and sex abuse charges, as well as unlawful use of a weapon.

Have a good week.

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