



FLAT RATE OF CAPITAL GAINS TAX WILL BE A BOOST TO LONG-TERM SAVINGS, SAYS FIDELITY INTERNATIONAL

- **Investors in equity funds are big winners from the Pre-Budget Report**
 - **Capital gains become more attractive than income**

London 10 October 2007- The Chancellor of the Exchequer's decision to set an 18% flat rate of capital gains tax from April 2008 could serve as a boost to long-term savings, says Fidelity International, the UK's largest mutual fund manager.

Investors in equity funds held outside of a tax wrapper such as a PEP or ISA are likely to emerge as big winners from Alistair Darling's overhaul of capital gains. Under the current arrangements for taper relief, higher-rate taxpayers face a minimum tax-charge of 24% on stock market gains, provided that they hold the assets for at least 10 years.

The new 18% flat rate of CGT will also make capital gains more attractive than income, whether generated by bonds or cash, which will continue to be taxed at 40% for higher-rate taxpayers. Even basic rate taxpayers will enjoy a lower rate of tax on capital gains than on interest from a cash deposit account.

Richard Wastcoat, UK Managing Director of Fidelity International, comments: "This could be a real shot in the arm for long-term savings at a time when the Government is keen to encourage individuals to invest more for their retirement. For higher-rate taxpayers in particular, stock market investment will overnight become far more attractive than squirreling money away in a cash account."

Richard Wastcoat added: "As a result of this change to CGT, many investors may choose to realise capital gains from their equity fund investments at regular intervals, rather than take income in the form of distributions or dividends. Capital gains can now be far more tax-efficient than income for many investors."

Fidelity International Limited ("FIL") and its subsidiary companies serve the major markets of the world by providing investment products and services to individuals and institutional investors outside the US. The FIL Organisation manages a total of £145.0 billion of assets*.



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Notes to editors:

*Source: Fidelity as at 30.06.07

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