

Capital Gains and Long Term Investing

Capital gains tax should be reduced over the life of an investment. This creates an incentive for long term investment and discourages short term trading. Every year that an investment is kept, there should be a 10% discount on the capital gains tax payable on that investment so that an investment that is held for 10 years attracts no capital gains tax. A similar principal would apply to losses eligible for offset against income or profits. Such loss offsets would decay similarly.

This encourages long term investing. It discourages short term trading except where the investment is a loss. It doesn't drive management to greater or less transparency. Successful companies have no incentive to be less transparent, or more. Unsuccessful companies who are not transparent will be quickly sold off as quickly as unsuccessful and transparent companies.