House of Commons

Treasury Committee

Oral evidence: Budget 2025: Property taxes, HC 1349

Wednesday 12 November 2025

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Watch the meeting

Members present: Dame Meg Hillier (Chair); Dame Harriett Baldwin; Chris Coghlan; Bobby Dean; Jim Dickson; John Glen; John Grady; Dame Siobhain McDonagh; Luke Murphy; Catherine West; Yuan Yang.

Questions 312-386

Witnesses

I: Professor Tim Leunig, Director of Economics, Public First Consulting; Richard Donnell, Executive Director, Research, Zoopla; Kate Willis, Property Taxes Technical Officer, Chartered Institute of Taxation; Kirstie Allsopp, TV presenter and property expert.

Examination of witnesses

Witnesses: Professor Tim Leunig, Richard Donnell, Kate Willis and Kirstie Allsopp.

Q312 **Chair:** Welcome to the Treasury Committee on Wednesday 12 November 2025. We are here today conducting another in our series of inquiries about issues that might come up in the Budget on 26 November. As we know, there has been a lot of speculation about property taxes—everything from council tax bands to stamp duty and inheritance tax—so I am really delighted to welcome the expert panel in front of us today. We have Kate Willis, the property taxes technical officer at the Chartered Institute of Taxation. Welcome, Kate. She is joined by Richard Donnell, executive director of research at Zoopla. Welcome, Richard. Professor Tim Leunig is director of economics at Public First consultancy, but has also advised—how many Governments, Professor Leunig?

Professor Leunig: Several, during 12 years as a senior civil servant.

Chair: So Governments of different colours—actually, no, mainly Conservative.

Professor Leunig: I was a civil servant, so I served the Governments who had been elected by the British people.

Chair: Our final witness is Kirstie Allsopp, who is of course well known from her work as a TV presenter and property expert on a number of things. It feels a bit odd seeing you on your own, Ms Allsopp. Usually you have a sidekick, but we have you today, so thank you very much indeed for coming.

I think it would be helpful just to dive straight in on stamp duty and get from each of you in turn—before we delve into more detail—what you think the impacts of the stamp duty system are on the market and who the winners and losers are from stamp duty. Kate Willis, I will start with you.

Kate Willis: The institute generally does not take a view or analyse winners and losers particularly, but what I would say about SDLT is that you might want to judge whether it is fit for purpose.

Chair: That is stamp duty land tax, for anyone who might be following our proceedings.

Kate Willis: Yes, stamp duty land tax, which is generally called stamp duty. I would try to evaluate whether it is fit for purpose and, in trying to judge that, you might think, "Well, what do the Government want from a tax?" That might be some basic criteria like ease of administration, ease of collection, not easily avoided, raises revenue, does not distort economic transactions or activity, and is generally acceptable to the public. If you look at SDLT on those, it probably ticks three of the boxes, but not the other ones. It is relatively easy to collect. It is quite difficult to avoid. It is a visible transaction. This is property; you can't move it. It raises revenue.

But I think economists are almost universally agreed that it distorts economic activity.

Richard Donnell: We have had a number of reliefs over time. I think about 40% of first-time buyers looking to buy a property through our website would pay stamp duty on what they are looking to buy. That goes up to nearly 80% of first-time buyers in London, with an average stamp duty bill of £16,000, which is about 3% of the value of the property, so it is quite a big hit to them. Across the rest of the south, about half of first-time buyers would pay stamp duty, with an average bill of about £5,000. But as soon as you get out of southern England, nearly 90% of first-time buyers are paying nothing, because of the reliefs. The amount is much smaller—less than 1% of the value of the property.

Between 80% and 98% of homeowners are paying stamp duty, because they have less reliefs than first-time buyers. It is £20,000 in London, about £5,000 to £10,000 in the south, and probably £2,500 when you go down into the 1%. So this comes back to the fact that it is a tax that leans really heavily on London and the south-east. What concerns me most is this. If you look at sales, those over half a million pounds are 70% of the receipts, and sales over £1 million are 40% of the receipts. Where it is really binding on people who are more economically active in London is that band between £250,000 and £900,000. If you are in Aldershot, Reading or Southend, you are into £7,000, £10,000 or £12,000 just on an average property. That is where it really binds: the bandings are not changing, so more people are being drawn in, and then it has a big impact on labour mobility, liquidity, and downsizing and buying property.

Chair: We will go now to our economist, Professor Tim Leunig.

Professor Leunig: Every single person in the country is a loser from stamp duty land tax, because it restricts people from moving. It restricts people from moving to opportunity, to get a better job, and so on, and as a result GDP is lower and tax returns are lower—not from that thing, but from income tax, VAT and so on. In that sense, every single person in the country is a loser.

The people who are the biggest losers are generally young people, because they move more often. Old people like me are, on balance, less bad losers than young people. I have lived in the same house since 2001. I have owned only two houses in my life and I am not that young. I am not prematurely bald; I am bald because I am quite old. People like me who lead very boring, stable lives lose less than those people who lead more interesting lives, or lives that are affected by divorce, new job opportunities or a relative who lives a long way away who needs assistance so they have to move. Although we are all losers, there are greater and smaller losers within that.

Of all the taxes that should be abolished in Britain, that would be very high on the list. However, if we just abolished it and did not replace it with another property tax, all that would happen is that property prices would rise, because people would be able to put down bigger deposits and that is how the market works. Just abolishing it would simply make people like me who own a decent-sized house in London richer, so that would be even worse than the current position. It is better that the Government get the money, than I am made richer.

Kirstie Allsopp: Dame Meg, you said clearly that people should not say something if they agree with every word that the other panel members have said. I agree with every word that everyone has said. I will just illustrate the figures that we are talking about. If you lived in Wales and had a house worth £550,000, but would like an extra bedroom and perhaps a bigger garden, and you moved to a house worth £650,000, you would pay £29,500 in stamp duty. You found £100,000 more to put into the pot, but you actually have to find an extra £35,000 to cover your moving costs. That is not right on any measure.

Q313 **Chair:** Do you think it should be abolished?

Kirstie Allsopp: I do.

Chair: Tim Leunig, you think it should be abolished.

Professor Leunig: Yes.

Chair: Mr Donnell and Ms Willis?

Richard Donnell: Yes.

Kate Willis: Again, I do not have a particular view, but—

Chair: You don't have a political position.

Q314 **Dame Harriett Baldwin:** Professor Leunig, you mentioned something about mobility. I wondered what evidence is out there about the impact that stamp duty is having on mobility, social mobility, household formation or anything else along those lines.

Professor Leunig: I do not think that there is much evidence that it affects household formation, the number of children or any of that aspect, but it definitely affects how many people move house. We saw that during covid, when we saw a lot more moves in the houses that got the stamp duty reduction than the ones that did not. That was quite a nice, almost random experiment, because in the houses that were below the bar for stamp duty, we did not see a sudden rise; in the houses that got a reduction, we did.

As an economist, however, I will die in the ditch—even without a shred of evidence—to say that if you make something £29,500 more expensive, it will happen less often. The weight of economic evidence to say, "If you make something expensive, people do it less often", is overwhelming. There is no reason why it would not apply to housing.

Q315 **Dame Harriett Baldwin:** So labour market mobility, social mobility, but you cannot point to any specific—

Professor Leunig: I can google it and write to the Committee afterwards to set out the evidence, because there will be some.

Dame Harriett Baldwin: There will be.

Q316 **Chris Coghlan:** Professor Leunig, on the natural experiment point under covid, is that true? Part of the incentive during covid was that it was time-limited.

Professor Leunig: Yes. You would not want to take the order of magnitude and say, "That will happen every year", but yes, we are confident that it led to more. Afterwards, we did not see a big drop, so it is not that it just brought forward moves; it led to genuine additional moves. Some of those will have been in-area, not related to job markets, but some would have been across areas.

Q317 **Dame Harriett Baldwin:** Turning to Zoopla's evidence, do you have evidence of the impact that stamp duty has on construction and other aspects of the wider economy—the market for furniture and that kind of thing? Do you have any data on that?

Richard Donnell: Turnover—the number of homes that transact—does have a multiplier effect in the economy, basically. You can see the impact on the white goods spend, or people doing DIY on and improving their property. In a market where people are not moving as often, that drives less economic impact.

To pick up on the point that you just heard, we can see from people looking for property on our site that in southern England, many more people are now looking to move out of their local area. The overall rule of thumb is that 80% of people move within five miles of where they live, but in southern England nearly 40% to 50% of people are now looking more than 10 miles away for the next property. It is the affordability of the house and the mortgage; the stamp duty is simply a compounding factor—at 2% to 3% of the value of the property, you are having to pay just for the privilege of buying it.

Q318 **Dame Harriett Baldwin:** Do you think that it has an effect on rental markets?

Richard Donnell: The rental market is driven by the ability to buy a property and the cost of buying a property. The biggest challenge for first-time buyers is the mortgage payments. The impact of mortgage regulation has increased the hurdle to buying a property. If stamp duty sits on top of that as well, you are trapping a lot of people out of home ownership. That puts big pressure on the rental market and—yes—rents are up 36% for new lets in the past five years, outpacing earnings growth.

What we are seeing is that rental inflation has slowed now to the lowest for four years. Part of that reason is that the stress rates have come down on mortgages, so people are finding it easier. It tends to be middle to wealthier first-time buyers who are finding it easier to access home ownership. There are still a lot of people I am sure would love to buy but, whether it is through affordability, deposit or stamp duty, could not buy.

Q319 **Dame Harriett Baldwin:** Professor Leunig, you are notably nodding to all those points. With rents in London being so expensive, do you think they are higher because of stamp duty land tax?

Professor Leunig: London is a very complicated market. If you simply abolish stamp duty, house prices would go up, and I do not think you would get rents coming down in the short run.

In the long run, the thing that determines house prices is supply and demand. If you want lower house prices, you need to allow and permit more houses to be built, and they need to be built in parts of the country, including some of your constituencies, where prices are way higher than average. That is the long and the short of it; everything else is second or third order. That will affect not just house prices but rents. Nothing beats supply, if you care about affordability and young people—nothing.

Q320 **Dame Harriett Baldwin:** Ms Willis, is there anything particularly problematic in the way the tax is designed?

Kate Willis: I suppose it does come down to rates. The differential between the commercial rate and the residential rate is now extremely high: 5% top rate commercial, 17% or 19% for residential, if you add in the surcharge of 5% and the non-resident surcharge of 2%.

That does drive behaviour. For example, if somebody wants to buy a house in the country—a nice house with some garden, grounds and grazing. Behaviourally, you might say, "Hang on, that grazing is commercial, so it is a mixed property and, therefore, I want to pay only 5%." That causes disputes and tribunal cases, which is always a sign that there is something wrong with the system—when you get a lot of cases through the courts.

Q321 **Dame Harriett Baldwin:** Ms Allsopp, in the real world of people making decisions about downsizing and first homes, are you seeing speculation about changes to stamp duty affecting real-world behaviour?

Kirstie Allsopp: I see it all the time. I was interested to hear from Tim that he had lived in only two different properties. The average in a lifetime used to be five; it is now four. What I see is young people buying more expensive houses than they can really afford because they know they can't pay stamp duty twice. The other thing I see a lot of is people altering two and three-bed houses rather than move, because the cost of moving is so high. I think we are damaging our first-time buyer housing stock because of stamp duty.

Q322 **Dame Harriett Baldwin:** Is speculation around stamp duty at the moment having a pronounced impact on behaviour?

Kirstie Allsopp: Yes, that is absolutely what I am seeing. People are in a panic about it.

Q323 **Dame Harriett Baldwin:** In a panic about it?

Kirstie Allsopp: Yes, because it has gone up and people think it could go up again. There is a lot of speculation in the press. Two figures have been talked about: £500,000 and £1.5 million. We know that there is activity around those two. Tim's paper named those two figures. The problem is that most people have not seen that document and they just think, "Oh, if I buy something more than £500,000, something awful is going to happen, and if I buy something more than £1.5 million, something awful is going to happen." So, they are really sitting tight.

Professor Leunig: One point that supports the case that there is distortion is that under Help to Buy, the most common-sized property bought by first-time buyers had three bedrooms. That is just plain weird, because a three-bedroom house, particularly a new build, is usually quite an expensive proposition.

People are doing that because they have to pay stamp duty only once, and they only have to pay it at the first-time buyer rate. One of the big problems of the first-time buyer lower rate is that it discourages you from buying a cheap first-time-buyer property, because you do not get much benefit, and you lose the right to the benefit later. It is a peculiarly idiotically designed tax break, that one.

Kirstie Allsopp: To Richard's point about white goods, when people move they buy things. They don't buy apps or experiences; they buy physical items, often from UK retailers, if not made in the UK. That is an important economic driver. People should be able to move house cheaply and easily.

Q324 **Dame Harriett Baldwin:** Does anyone have any quantification of the impact of the economic activity that occurs when someone moves? I would also be interested to hear whether the anecdotal comments we hear about how the property market is "frozen" at the moment are accurate according to the Zoopla data.

Richard Donnell: We have published it twice now in our house price index. We track how many people are getting in touch with estate agents, interested in buying a property. We can see how many sales are agreed on properties and we can see how many new properties are being listed for sale. Over £1 million, they are all down by nearly 10% year on year since the first stories appeared in August. The market over £500,000 is 4% down and below £500,000 the market is pretty flat.

People do not need to buy property. They can afford to wait, unless they are in a huge hurry. Once you have bought a property, it takes five to six months to actually move into it. I think it has leant on a lot of people. Christmas has almost come early because of these stories. They have really stalled the market because people are waiting and seeing. It does not stop at stamp duty—there is a lot of speculation about a lot of taxes. Anyone who is not in an immediate rush to buy is going to wait, basically.

To build on this point, half of all first-time buyers looking to buy property through us want a three-bed house—outside London and Scotland. The housing market in London and Scotland has a lot more smaller properties.

Kirstie Allsopp: We probably need to remember why people move house. It is often as a result of difficult circumstances: death; divorce; moving near a family member who has dementia. The reasons that people move house are mostly not frivolous; they are important. A good home is good health.

Q325 **Chair:** A couple of you mentioned the issue of people improving their homes rather than moving. Ms Allsopp, you said that was damaging the first-time-buyer market. Can you point us to numerical evidence on that? We see it in our constituencies, especially those of us with richer constituencies.

Kirstie Allsopp: I am really sorry; you would have to ask Kate or Tim. I am the anecdotal person.

Professor Leunig: You will have to email me on that one.

Chair: That is fine; you can write to us about that.

Professor Leunig: You are welcome to email me on all these points.

Chair: Ms Willis, I guess this is beyond your reach?

Kate Willis: Yes.

Q326 **Yuan Yang:** I appreciate Mr Donnell and Ms Allsopp's points about young families being prevented from moving into houses of the appropriate size, because I see that happening in my constituency in Reading. Professor Leunig, you have made a proposal for an annual national property tax. That would mean that rather than the Government getting a lump sum when people move house—often a whacking big payment—as they do now, they would instead get a stream of payments into the future. How would that change the fiscal position of the Government and how would you come around that problem?

Professor Leunig: First, let me thank Fairer Share for funding the writing of that report—it is only fair that those who fund things get at least a little bit of credit so that they can have their moment of glory—and for leaving me in peace to write what I wanted rather than trying to dictate what I would say, as many funders do.

There is a problem with the Government accounts in that they are on a cash flow basis. A sensible Government—and a sensible Committee, if you do not mind my saying so—should call for the Government to state their accounts properly. The Government have a whole bunch of liabilities, including all of your pensions, and indeed my pension from when I was a civil servant. All those should be recorded, but so too should the assets. Richard can give you an estimate of how much capital gains tax is owed to you on second properties. Certainly the Treasury could work that out. You should be working out both the assets and liabilities that are to come.

If you did that, my proposal, which is that rather than paying stamp duty up front, people should pay an annual payment for however long they live in the house, would be fiscally neutral. I have a lot of respect for our financial markets. If the Government stated their fiscal accounts properly, they would see that there is no meaningful change in the Government's long-term fiscal position from what I am proposing.

That said, if there is still a cash flow problem, we should go back to the days of tax farming. In ye olden days—2,000 years ago—rather than paying annual taxes, you could pay them as a lump sum up front. I am always surprised that the Government have not offered people of my age a 3.5% discount, say, if they pay their income tax a year in advance. That would be cheaper than issuing gilts. Given that I have used up my ISA allowance—any sensible Government would reduce the ISA allowance, but I do not expect you all to agree with that; it is outside what we are discussing today—people like me would have no good tax-free options. We would happily pay our income tax in advance. You would just give me a bigger tax code next year.

You can accelerate money relatively easily from a certain group of people who, bluntly, have a chunk of money and not many good investment possibilities. If you really think that there is a short-term cash flow problem for Britain, which I do not necessarily accept if we stated the accounts properly, you have to get on and do it. I think you should respect the sophisticated nature of our financial markets. That is not to say I believe that we should throw away the fiscal rules or anything like that—I think those are very valuable—but if you state the position carefully and correctly, then you are not breaking any fiscal rule in any meaningful sense.

Q327 **Yuan Yang:** Professor Leunig, you have been a special adviser—

Professor Leunig: I was a policy adviser. I was never a special adviser—I was never political.

Yuan Yang: Apologies; you have been an apolitical policy advisor, and you have worked very closely in Government. What do you think have been the obstacles to the kinds of changes in the taxation and fiscal regime that you just described?

Professor Leunig: When I was in the Treasury, the obstacle was covid, in that we spent all our time thinking about covid. I was economic adviser to the Chancellor for the six months before covid, when Sajid Javid was working towards his first Budget. It is for him, not me, to tell you what we discussed then—although I think the right hon. John Glen was in the Treasury, so he may be willing to fill you in. I was a civil servant, so I am not allowed to tell you what we discussed—those are the rules. I do not, however, think I am revealing anything by saying that when I worked for Rishi Sunak, we basically worked 24/7/365 on covid. That crowded out everything else, as you would expect. I am not going to apologise for that; I am sure Rishi would not apologise for that. You all lived through covid—you know how much it dominated.

Above all, what you need is political will. On the day that the Chancellor says, "I wish to abolish stamp duty. What are the options?" the civil service machine will respond, but until and unless that question is asked, the civil service will not spontaneously produce papers, and nor should it. “Yes Minister” was wrong—the civil service does not spend its time trying to manipulate Ministers. In my experience, the civil service wants Ministers who clearly lead with a consistent agenda and say what they want, and then they will do their best to respond. Whoever of you is the next Chancellor, whenever that vacancy comes up, it takes you to decide, “This matters,” and to go for it. We—well, at least three of us; one is neutral—beg you to do that, when the time comes.

Q328 **Yuan Yang:** Just to be clear, in your proposal, when you say that there needs to be a change to the way that the Government set out their accounts, it seems to imply that there needs to be a change in the fiscal rules. Are you saying that that does not—

Professor Leunig: No, I am saying that the fiscal rules should apply to the accounts correctly stated, and once they are correctly stated, my proposal is fiscally neutral.

Q329 **Yuan Yang:** I see what you are saying. Thank you, Professor Leunig.

Mr Donnell, there have been numerous proposals for some version of a proportional property tax, such as Professor Leunig’s. Some of those would require revaluation of properties on a constant basis rather than at the point of sale, where the sale price is a clear, visible factor. From your experience with valuations, how difficult would it be to ensure that valuations are done after a sale?

Richard Donnell: There are two things. It is possible to value the housing market using automated valuation statistical models. They are very good and accurate at valuing easy-to-value properties such as a three-bed house or a two-bed house with lots of comparable evidence. The challenges come for the tails of the market—so, lower-value properties in less economically active, housing-liquid markets. It is also pretty challenging at the top of the market. That is one of the advantages of the report that Professor Leunig did. He is talking about, “Let’s just value things between the easy-to-value stuff in the middle, and then find out other ways of valuing.”

If you truly wanted to go for a whole-market revaluation, the statistical models would do a lot of heavy lifting, but you would need a lot of human intervention as well around the edges. To update that every year is more challenging if you want to revalue every property. We have made big advancements—I used our own data to look at Tim’s numbers and how they all added up. The distribution is there, but if you are trying to persuade homeowners that the right value is there, you have to remember that homeowners now have access to a lot more information. There was no information in 1991 for you to become your own valuer, so again, models can help, but more effort is needed.

Q330 **Yuan Yang:** Can you give a rough idea of the figures for those different low and high ends that you think are more difficult to value?

Richard Donnell: It is maybe the bottom 10% of the market by value, and then maybe the top 5% to 10% of the market by value. It is not huge, but—

Q331 **Yuan Yang:** What is that in prices?

Richard Donnell: The top 10% of the market is probably over about £750,000, and then maybe the bottom 10% of the market is below £100,000 or something like that.

Professor Leunig: Although that is only the top 5% of the market, it is more than 5% of the tax base.

Richard Donnell: I go back to the point about how much stamp duty is generated by sales worth more than £1 million, which is just a small proportion of sales. Again, the higher-rate element of the stamp duty generates half of the stamp duty for people buying more than one property, and that is distributed across all prices. It can be done, but you cannot do it quickly.

Q332 **John Glen:** It is great to see you here, Professor Leunig. Thank you for all the work you did in the Treasury when I was there. You have set out very clearly the problem of, essentially, the Treasury getting a lump of money in year one versus getting it over several years, and that you could make that neutral. You will also know that the pressures are quite acute for all Chancellors. How do you overcome the flow problem that is obviously inherent in that proposal?

Professor Leunig: One disadvantage of stamp duty for the Treasury is that it is very unpredictable. In the Treasury, we can make a very good stab at estimating how much money we will get from income tax and VAT next year, but stamp duty is one of those taxes that causes a lot of fiscal headaches, because it can easily be higher or lower by a few billion, in a pretty unpredictable way. If I were the Treasury, I would be really worried that, over the next few years, a bigger and bigger proportion of tax revenue is going to come from stamp duty. Without wishing to make a party political point at all, one of the reasons that we will find that £10 billion is, bluntly, not enough headroom, is the erratic nature of the tax base. If I were the Treasury, I would say that a fiscally neutral annual tax is a much more reliable source of income—because it is based on past sales—than a transaction tax. If I were the Treasury, I would really want to move to an annual tax. I fully accept that it is hard in the short run and that is why, as I say, the best way is to—

Chair: To move away from a one-off—

Professor Leunig: Yes, to move away from a one-off, because it is so unpredictable. When things are unpredictable, you get a few months of bad news, and suddenly, the press is full of stories that the Chancellor will have to raise taxes. At that point, as work by Public First and others has shown, the general public get scared. They do not know what taxes are going to go up, and they start saving money. That then depresses the economy and unemployment starts to rise. That is surely part of the story of the last six months. I do not want to tell you that unemployment would not have risen in the last six months if we had had an annual tax rather than the stamp duty—that would be taking it too far—but the basic point holds. An unstable tax system is destabilising for the economy.

Q333 **John Glen:** I want to ask you all for your assessment of the impact it will have on people who are asset rich and cash poor. We could discuss the different rates and how they are set, but the inference of your proposal is that there will be a regular, reliable annual source of income for the Treasury, but for some people, that will be an alarming additional cost. Please explain.

Professor Leunig: Let me clarify. My proposal was only going to come in for future house sales. Let me imagine that I retire to Salisbury. It is a nice place.

John Glen: You would be most welcome.

Professor Leunig: Thank you. I would not pay stamp duty in Salisbury, but instead, I would pay an annual tax that would be calibrated, in net present value terms, to be the same as the stamp duty. If I wanted, I could pretty much put the stamp duty in the bank and pay the annual tax from that. Where I live in Surbiton, the lady opposite me has lived in her house for, I think, 64 years, and it must be worth more than £1 million. She is not under any threat whatsoever; the person who buys her house next will have to pay an annual tax, but because they will not have paid stamp duty, there is no threat to the asset rich and cash poor. Indeed, I designed it because your question is very valid.

Q334 **John Glen:** Thank you very much. May I turn to Ms Allsopp on this, because you might have seen different reactions?

Kirstie Allsopp: Tim, you will have to forgive me if I am being really stupid about this, but when I read through, it seemed to me that if—it will not—your proposal came into place on 26 November, someone who had bought a large property last year would then stay in it for a much longer time, because until they moved, they would not be paying. If they had just paid stamp duty, they might move again in five, 10 or 15 years, but they could just decide not to, and then they would not be paying. Is that correct?

Professor Leunig: That is correct. For them, the position is the same as at the moment—

Chair: Could you speak through the Chair, please, just so we can all see you?

Professor Leunig: Apologies. I know, I look gorgeous.

For them, it is the same as the current system under stamp duty, in that there is an incentive to stay in your house a long time. Once you have moved after that, I have got rid of the incentive to stay in the same place forever. It takes longer under my system to move to a freer and more liberal housing market. That is the price I pay—

Q335 **John Glen:** Ms Allsopp, that was a valuable exchange, but would you like to develop your point further?

Kirstie Allsopp: So I am correct in what I thought, and that does disturb me deeply. There are many elements of the report that I agree with, but that one about how if you bought a house, you would now make it your forever home does not alter the situation that is currently created by very high stamp duty at the top end of the market.

As I said, I am the anecdotal person, not the data person. My mother moved to London when I was 17, and in the 30 years she then lived, she had seven homes. She bought and sold all the time. She was a little microeconomy. Every time she did that, she had new kitchens and upholstered furniture, had curtains made and employed all sorts of different people, most of them small British businesses.

I have been in the same area, in the same home for 20 years. Obviously, in my job I see stuff all the time, and there have been lots of times I would have liked to move, but in recent years the stamp duty basically swallowed up my entire refurbishment budget. I am worried that under this proposal, the top end of the market will continue not to move, and the loss of business to small but very valuable, often southern-based businesses would be quite great.

Q336 **John Glen:** Professor Leunig, it is perhaps worth going back to that point. The current system, as Ms Allsopp and others have set out, creates a massive disincentive for people to have a big lump of stamp duty to pay. But under your proposal, they would have the opportunity to avoid an annual tax in perpetuity, thereby having a similar effect, making people say, "I'm not going to move," with the economic consequences that come from that. How do you address that?

Professor Leunig: One thing I used to say to my Ministers is, to quote Paloma Faith, "Do you want the truth or something beautiful?" The answer in this case is that there is no beautiful answer. You have to choose.

John Glen: You never said that to me.

Professor Leunig: I apologise.

If you apply the new annual tax retrospectively to the person who moved house last week, someone will say, quite rightly, "That's unfair"—they are paying twice. If you do not, however, apply it retrospectively, as Ms Allsopp says, they have an incentive not to move. You just have to choose one of those. That is the truth. There is no beautiful answer to that.

Q337 **John Glen:** I think you are conceding that your proposal does not offer us a solution to that problem of people who are not—

Professor Leunig: It does in the medium term, because in the medium term, once the house has been sold, it is then paying the annual tax whoever buys it and whoever sells it. At that point, you are in the new equilibrium where I think we would both agree people have the incentive to move, because the additional annual tax from moving from a house worth £500,000 to one worth £600,000 would be trivial, so people would still move. In the medium term, the problem you identify is solved by my scheme, but it would only be in the medium term. You can accelerate it by forcing people to double-pay, and that is a political choice for you.

Q338 **John Glen:** Finally, there are differences across the United Kingdom, and I am sure you will have considered this. What would be your solution to make this transparently plain and understandable when people live on the borders of Wales and England, for example?

Professor Leunig: I have always strongly believed in devolution, and as someone who has never lived in Wales, Scotland or Northern Ireland, I have never wanted to speak for those places. Contrary to your confidence in me, I have not thought about it, because I think it is best for them to think about solutions for their communities, which they know far better than I ever will. I want to give them the right to implement the solutions they think will work for them

Chair: I am sure they will be reading your report, Professor Leunig.

Q339 **Luke Murphy:** Professor Leunig, I want to pick up on a proposal that John Muellbauer has made on this exact issue: that if you have just moved and paid stamp duty, the Government could offer a tax credit against future annual property tax liabilities. Is that something you have considered as a mechanism?

Professor Leunig: It could do. John taught me microeconomics a long time ago when I was a grad student, and I have remained in contact with him for many years. I am concerned about John's—

Chair: Can we use full names?

Professor Leunig: Sorry—I am concerned about Professor Muellbauer's proposal, in that it seems to me to be relatively complicated, and I am not sure whether people want to take on a debt or credit like that, but it would be worth exploring. When a Chancellor says this sort of thing to the civil service, the civil service should go out and run focus groups with people to see whether there will be interest in taking it up. If there is interest, it might be an elegant solution, but if people say, "Woah, that looks a bit crazy. I don't like that," then it would be a solution that would not work in practice. We would want to go out and road test it with ordinary people.

Q340 **Bobby Dean:** I have already shared with colleagues that I paid a stamp duty bill on Friday, so this is extremely topical for me. We did exactly what you described, Ms Allsopp, which is try to make a bigger step to avoid paying it twice in the next five years—I hope nothing changes in the next couple of weeks, because I will be quite upset. I want to move on to reforms to council tax, but before I do that, Luke Murphy's question triggered a thought. There is another proposal from the Tony Blair Institute about effectively giving a 20-year loan to people to pay off stamp duty. Are there any thoughts from the panel on that? I can see Richard Donnell was indicating he might have an answer on that.

Richard Donnell: It is a good idea; it is just the complexity of how you manage it. That is the challenge; it is adding complexity into the system. Everyone is in violent agreement that anything to reduce the stamp duty bill—to reduce that initial cost, spread it over time, get more people moving and support economic growth—is a good idea. There are lots of ideas around this, but I am not an expert in the complexity of how you would roll it out for potentially a million transactions in the year ongoing and collect all the revenue moving forward—unless you do it from self-assessment tax or something like that.

Q341 **Bobby Dean:** It may not be worth the pain then. Professor Leunig, do you want to come in?

Professor Leunig: The Tony Blair Government achieved many very useful things, but they also created a lot of complexity with things such as PFI, which frankly were always too good to be true.

Chair: Can we focus on this particular question?

Dame Siobhain McDonagh: I will just say that, as somebody who benefited from the neurological department at St George's hospital, which was a PFI, I am very grateful that he did.

Chair: Can we focus on the property taxes, please?

Professor Leunig: In general, it is better to focus on plain vanilla solutions than complicated ones. Anything that seems too good to be true usually is, and that one, at least on a first reading by me, looked too good to be true.

Q342 **Bobby Dean:** I want to move on to council tax. I know Professor Leunig has a proposal on that too, so we will come back to that, but first can I hear from Ms Willis about the experience in Wales, as they have tried to revalue council tax there?

Kate Willis: Absolutely—they are going to revalue in 2028. They have undertaken consultations, set out a road map and a strategy and undertaken all sorts of educational initiatives to arrive at that point. It has not been an entirely easy process. The Welsh Government have said that that revaluation will be on a revenue-neutral basis, and it was interesting to see that, in some of the responses to those consultations, the public did not accept that—they thought it was revenue-raising.

Council tax is generally quite an unpopular tax because of its salience and visibility—it is a dry tax charge, and you pay it out of your income or your savings; there are no proceeds generated to pay it. It is a difficult one to reform. What Wales has done successfully is that they have consulted, tried to take the public with them, set out a road map, researched and produced independent research on the consequences, and the Institute of Fiscal Studies has looked at the effect.

Q343 **Bobby Dean:** You said there seems to be some sort of issue with the public perception of it, but have there been many technical challenges in the valuations? Have you seen that in your sector?

Kate Willis: That is perhaps one element that has changed. We have seen eminent economists and institutes put forward proposals for reform of property tax over many years, and it has not really happened. One of the barriers to property tax reform is valuation and the difficulty of it—it is costly and disruptive, and quite a slow process. Now we have these new automated mass appraisal models, which are being developed by the Valuation Office Agency in conjunction with the Welsh Government to bring about the valuation in Wales. To the extent that they are cheaper and quicker—I would bow to Richard here—they may enable long-term property tax reform or at least reduce a barrier to it.

Q344 **Bobby Dean:** Mr Donnell, I wonder if you can build on that point. The existence of things such as Zoopla is probably giving confidence to politicians that valuations are easy now, because they are telling me all the time via email what my house is worth at any moment in time. You said that it is actually a bit more complicated than that. Can you explain in a bit more detail what those complications are? How regularly do you think it is reasonable for a Government to expect to be able to revalue under a new system?

Richard Donnell: As I explained to your colleague, if a property is very homogeneous with others—there are lots of similar properties around it—and the housing market is liquid, and there are no special features on the property, it is quite easy for a computer to value that property. For the classic three-bed semi surrounded by a sea of three-bed semis, where there is lots of liquidity, if you know good information about the property, you can value with a reasonable degree of accuracy. When you get to the mill house in mid-Wales, or the castle overlooking the cliffs, or a particularly deprived area with a lack of economic growth and very low levels of housing activity, it gets harder. It is not impossible; you can value the properties, but that is where there is a blend of statistical models and data, with a human getting involved to check the numbers. There will be a cohort of properties where you need a surveyor to go round and put a valuation on it. But just as statistical models have an error range for how accurate they are, so do human beings. A human surveyor suffers from a lack of information just as much as a model does. As I said earlier, 50% to 70% of properties should be relatively easy to value with a statistical model—the very typical, homogeneous properties.

Q345 **Bobby Dean:** Can I push you on the frequency? You say that the bulk of it would be reasonably easy to do, but we would need this more effortful work as well. Under a new system, or a revision of the current system, how frequently do you think we could revalue properties?

Richard Donnell: We value the housing market every month, but it is all about using indexation to move values forward. You do the local house price index for Swansea three-bed houses or for Surbiton three-bed houses and you move it forward. The data is there to build indices and move them forward in line with the market, or you might want to use another index. That is a policy and implementation choice, but it is possible to value more regularly. It is the point about retaining the confidence of consumers. Will they be allowed to challenge? I read similar papers on Wales. It is amazing: even people who are going to save money think that they are going to end up less well off. It is how you build trust with consumers so that they are comfortable with how the values are set.

Q346 **Bobby Dean:** Ms Allsopp, I know you have been keen to come in, but I will ask you an additional question too. How much does council tax bear on people's decision making about where to move? Obviously, different authorities have very different rates. Have you seen much evidence of council tax changing people's decisions?

Kirstie Allsopp: I have seen very little evidence of council tax making a difference. People factor it in, but actually they more often ask about insulation and heating costs—all energy-related costs seem to disturb them more than council tax. Can I ask you a question? Is that allowed?

Bobby Dean: I would have to ask the—

Chair: Go through the Chair.

Kirstie Allsopp: I am interested in how long it took you to move house, because one of the things that we have not spoken about but I wanted to address briefly—

Chair: We will not ask Mr Dean to answer a question, but you can use it to illustrate the point.

Kirstie Allsopp: Yes. It is just that there is a consultation at the moment on reforms to the buying and selling process in this country. We have gone from an average of eight weeks from acceptance of offer to completion to an average of well over 20 weeks. The system is completely bunged up. It is not just stamp duty that makes people reluctant to move house more frequently; it is the fact that it is so complicated and hard.

Chair: Absolutely. A previous Labour Government introduced—or attempted to introduce—home seller's packs. There have been lots of attempts to deal with this and it has not really worked. We take the point, but today we are focusing on the tax.

Q347 **Bobby Dean:** I will briefly say that it took far too long—since May.

Professor Leunig, I am sure you have been itching throughout this discussion because you also have a proposal for an annual local tax. Will you explain that to us, and address specifically why you include a cap of properties valued at £500,000 or more and a floor for what people would pay under that system?

Professor Leunig: I will add thing to Richard's answer, and everybody else's: if we got rid of stamp duty land tax, we would have more transactions, and that would mean more data for Richard and then his estimate of all other prices would be more accurate. Doing it sequentially—stamp duty first and then council tax revaluation—would have some merit.

If you just have a proportional property tax, poorer parts of the country will run out of money. If you take the classic north Lancashire textile towns—I wrote my PhD on them—like Burnley and Blackburn, or Barnsley over the border, they would have a very low tax base. Those are places where you can still buy a house for £30,000. If you are paying 0.5% of £30,000, you are paying £150 a year in council tax. The council cannot survive on £150. Even if it gets a bigger grant from central Government, the local council has no democratic legitimacy, because it has no tax-raising powers. That is why I said there should be a minimum payment of £800 for council tax. I think nobody would be a loser from that; I do not think band A is below £800 anywhere in the country. That means that those sorts of places would have a tax base, which is why I went for a minimum. That also means, based on my back-of-the-envelope calculations, that you do not need to value any property under £180,000, because, whatever its value, it is still going to be paying £800. Similarly, by having a top end of £500,000, I do not have to value any properties beyond that.

Hopefully, I have picked all the houses in the middle that Richard can value reliably. That was my intention, because I trust Richard to do what he says he can do, and I trust Richard when he says there are some things he cannot do. The £500,000 does not mean that rich people get away scot-free, because they would pay the annual tax to central Government on the amount over £500,000, but I would fix that at their purchase price and then just index it every year. So I only have to value £180,000 to £500,000.

Q348 **Bobby Dean:** Can I be clear on who pays this tax? Is it anybody who lives in the property or only the owner?

Professor Leunig: I would do it on the owner, but I am not wedded to that. That is for the prosaic reason that I think it would increase collection rates and reduce collection costs. Older people, including myself, will remember that rates were levied on owners rather than occupiers. We would expect rents to go up—don't get me wrong, this is not a get-out-free card for renters—but I think it would lower collection costs for councils, which is a good thing.

Q349 **Bobby Dean:** Finally from me, given that you have served under different Governments, why do you think Governments continually bottle the question of property taxation?

Professor Leunig: Well, the experience of property tax reform has been pretty awful. Nobody has ever won a vote reforming local taxation. Even in Wales, which is doing something relatively modest, all sorts of—oh, I'm allowed to say "shit", aren't I? You're not, but I am. In Wales, all sorts of shit has hit the fan, whereas when you think back to—

Chair: It is politically too difficult, basically.

Professor Leunig: It is politically too difficult. That is not just a fear. When we had the poll tax, it was an absolute disaster. When we replaced the poll tax, that was also a disaster, and it raised a lot less revenue and central Government had to put a lot more money into local government. Ken Clarke put VAT on fuel and then that was problematic. I can understand why politicians are often, in the nicest possible way, prudent/gutless, depending on your view of politicians.

Q350 **Luke Murphy:** I should have declared earlier that I am an unpaid member of the independent Housing Policy and Delivery Oversight Committee, which does work on taxation.

Professor Leunig, you are right in that I think William Waldegrave said that he made one of the most tedious subjects so interesting that it became the cause of widespread riots—

Chair: We are talking about the poll tax here.

Luke Murphy: And the cause of the defeat of a great Prime Minister. What measures would you put in place to smooth the introduction of a new system, given the difficulties, and given the international experience that shows reform is not uniquely difficult to the UK?

Professor Leunig: There are two things I would do. I would say that anybody whose house is worth more than £500,000 will typically be a winner under my reforms to council tax, but I would prevent them from being a winner until the house is sold. That gives me a chunk of money that means that other people are not forced to pay too much.

The second thing I would do is hire Richard or Stephen Aldridge, the already hired excellent chief analyst in the Housing Department, to work out the results, band by band and house by house, to see how many winners and losers there are, and to see to what extent they are winners and losers.

I wrote the first national funding formula for schools, and that is exactly what we did. We came up with a national funding formula for schools that minimised the change from the current position, to make it politically palatable. Until about 2016, we had no national funding formula for schools. They were just paid on ad hoc background figures that had lasted forever, and that was terrible. Rather than go for a big thing, we went for the smallest changes and then gradually improved it over time. I would be very incremental—people don’t rebel over a tenner.

Q351 **Luke Murphy:** Kate Willis, you talked earlier about the principles of stamp duty; one of them was around the acceptability of taxation. Is one of the issues with council tax the fact that we cannot make up our minds whether it is a consumption tax, a property tax or a services tax? How much do you think that feeds into its acceptability and whether the public think it is a legitimate tax?

Kate Willis: I think that is probably right. On acceptability, culture matters, doesn’t it, and the social context? Council tax has been with us for a long time. It has been set at the 1991 values for such a long time and it gets entrenched in people's views. I agree: if you want a strategy for long-term reform, you have to set out the objectives, tell the story and set out what the Government is trying to do. Council tax presents a bit of a problem in that because it is a hybrid tax. On the one hand it is a tax collected to fund local government services, and on the other it is a tax by reference to property value. What is it trying to do? Is it trying to tax property value or is it trying to collect money? Those objectives are confusing, and they are contrary, aren't they? If you look at the single-person discount for people living in a house on their own, that entirely makes sense from a services perspective, but it makes no sense from the perspective of good use of the existing housing stock.

Q352 **Luke Murphy:** Can I ask about who should be levying the tax? I understand that in other countries it might be collected nationally but levied locally. Should we accept a lot of variation in council tax if we are allowing it to be set locally? I appreciate that you have a particular proposal, but I am interested in who should be levying the tax.

Kate Willis: There is a lot of misunderstanding about what council tax is and what it pays for. Local government is financed by other sources, not exclusively by council tax. It is not well understood what council tax pays for. When you put up council tax, people tend to say, "Why aren't I getting more services? Why aren't those potholes mended?" In fact, it is not the main source of local government funding.

Professor Leunig: What is a scandal—I think it is a widely understood scandal among economists—is that there are five or six inner London boroughs, including, I am afraid, that of the Chair of this Committee, whose councils get a disproportionately large grant, which means they have exceptionally low council tax. That variation, I think, is indefensible, but it is obviously defensible if people in one area want to vote for higher—

Q353 **Chair:** I wouldn't say that the council tax in Hackney is exceptionally low.

Professor Leunig: I apologise. I thought you were in Islington. Mea culpa.

Chair: I am not sure they would think that either. Wandsworth is the one that is known for being low.

Professor Leunig: Wandsworth is the most famous, but it is not only Wandsworth. It includes Westminster, Kensington and Chelsea and so on. Obviously, if one area wants to vote for higher taxes and have better services, that should be their democratic right, and that I would celebrate, but it should be from the basis of a much clearer and more equal redistribution formula. As I say, inner London—excluding Hackney, which is not inner London for these purposes—is disproportionately well funded.

Kirstie Allsopp: I live in Kensington and Chelsea. About three years ago, I was up in Edinburgh during a dustmen's strike. I was talking to the taxi driver about it. He told me what he paid in council tax and was furious about the strike, and I was horrified to discover we paid the same amount.

Unless that taxi driver lives in a very considerable house in Edinburgh, that is not right.

Q354 **Luke Murphy:** Should any reform take any account of someone's income, as the current system does in some ways? What deferral mechanisms would you put in place given the income challenge for someone paying an annual rate?

Kate Willis: The existing council tax reduction scheme provides support for low-income households. You would have to look at something similar, I think. Well, you would have to provide some support to owner-occupiers who are in the same position. Even on a minimum payment of £800, for people on very low incomes that would be an unaffordable amount.

Professor Leunig: I spoke to a lady recently whose husband had been diagnosed with terminal cancer and was given four weeks to live. She sold their business to look after him for four weeks and he lived for two years. She got through every penny they owned in those two years. If she is living in a family house, I don't want her to have to have a forced sale because she cannot afford £2,000 in council tax, and I doubt anyone thinks any differently. There is always a place for a benefit system, but it is usually better to do it via the benefit system than to have some very complicated rules that mean council tax is actually an income tax in disguise.

Chair: That has set a number of hares running. I will bring in Mr John Grady to bring us back on track.

Q355 **John Grady:** Professor Leunig, I have a point of clarification. You mentioned that houses worth over £500,000 would be indexed, so you wouldn't take account of improvements or anything like that; you would just have a straight indexation. What inflation rate would you pick for that? Would it be a property-based inflation rate, CPI or RPI?

Professor Leunig: I would use CPI. That way, when you buy a house, you know what you are going to be on the hook for. Look at somewhere like Oxford or Cambridge. Church Cowley Road in east Oxford is a really bog-standard road full of late-1930s small terraced houses that once upon a time were bought by blue-collar workers but are now worth a fortune. I don't want that blue-collar worker, who worked picking up the bins or whatever and is now a pensioner, suddenly to be forced to pay some whopping great tax because of house price inflation. I want them to know where they are.

John Grady: Thank you; that's clear.

Q356 **Chair:** On valuation, you talked earlier about people improving rather than moving. It would be interesting to hear some examples of when you have seen that. On one of your programmes, Ms Allsopp, I think it is you who persuades people to stay and your colleague who persuades people to move, and you always have a valuation, but that is a valuation done by an estate agent. There are a couple of things. First, how much are people adding in value? Secondly—this is particularly to Mr Donnell—how would you work out what improvements are worth? Basement conversions in my constituency are not necessarily visible from the roadside if someone is doing a drive-by valuation.

Kirstie Allsopp: The valuation issue is particularly difficult, because you cannot tell from the street. All sorts of things have happened all over the country. It is particularly back extensions and knocking through. People have done all sorts of things. I can go and see two semi-detached houses, and there can be as much as £250,000 difference in value between them on the market because of the work that people have done.

Q357 **Chair:** Is there any way that that could be captured practically, apart from home visits?

Kirstie Allsopp: The only way that I can see would be to lean on people and really require them to be very honest about the work that they have done. AI is out there, and if you have to provide photographs of all the rooms in your house, I suspect it will be possible quite soon to make real judgments on that.

Q358 **Chair:** Every time you market for sale or rent, those pictures are on Mr Donnell's website. Mr Donnell, is that a way of solving the valuation issue?

Richard Donnell: It could be. You are right that home improvements tend to come to light only when someone lists their property for sale and you get the new floor plan and the new layout, so that is a challenge. Equally, there is the technology of aerial imaging and seeing the foot plate of a dwelling. What really drives the value of a property is square footage—space, basically. You have to add space to a property. You can make the kitchen and the bathrooms as nice as possible, to your personal taste, and it won't necessarily have that much of an impact, but if you add a loft conversion or do a big extension on the ground floor, that really drives the space.

The data is coming through to do that. As part of any valuation exercise, it is about political or policy choices to let people submit or upload their own information, so that they get more engaged on making sure the valuation is accurate.

Q359 **Chair:** I will bring in Ms Willis and then go back to Ms Allsopp.

Kate Willis: I was just going to point out that Ireland has a local property tax, and that is done by self-assessment, which is interesting.

Chair: Indeed. I am familiar with that system. A lot of properties that are passed down through families have never been marketed, so it is an interesting one.

Kirstie Allsopp: We have to be very careful about doing anything that deters people from improving their properties. We rely on owners to improve our housing stock. Without that, it wouldn't happen. We have had situations in the past—particularly in the '70s—where people actively devalued their properties to avoid taxes. We all know about the window tax; we have all read about it—

Q360 **Chair:** For those who perhaps don’t know, because not everyone following—

Kirstie Allsopp: The window tax was imposed, and as a result owners of properties—

Chair: We’re talking a couple of hundred years ago.

Kirstie Allsopp: Yes—300 years.

Chair: I am just being clear to anyone watching that this is not a proposal for the Chancellor in the Budget, as far as we are aware.

Kirstie Allsopp: As a result, people bricked up windows. We do not want to have any taxes that lead to alterations in behaviour and discourage people from investing in their homes. Different people do different things. Some people buy expensive cars or expensive handbags, or go on expensive holidays. Others save really hard and do a lot of work on their houses. I was recently with a couple in Newcastle, and Mark, the co-owner of the house, turned to me and said, “I didn’t know how hard it was to wash up in the bath.” For a year, he had no kitchen, because they saved up £20,000 every year for five years to do work to their house. I don’t think they should have to pay a higher tax than their next-door neighbour, who may not have spent the money improving their home.

Q361 **Chair:** Mr Donnell, on the valuation, who should value properties? You have HMRC, which might have a stake in this, surveyors, AI, estate agents and the homeowner. How do you get a consistent valuation? How can we trust what is on Zoopla’s website?

Richard Donnell: You need a very good database of property descriptions and attributes that describe—

Chair: There would also be, when you have a licensing arrangement in a local authority, those plans, as well as sales plans.

Richard Donnell: The Government’s house price index has pulled together a lot of data about property description. You have the Valuation Office Agency council tax base. So there is a lot of data about the stock of property. There is obviously a huge amount of data about the achieved prices of property from the Land Registry and other sources.

Q362 **Chair:** Is an achieved price the real value of a property? I ask because properties can go up and down. Schools change and transport links improve or degrade; that can have an impact.

Richard Donnell: What you also have within a model is indexation. To value a property today, you might use historical values but you bring them forward to today’s date and then look at the attributes to drive the valuation. If it was done, it would seem sensible that it was driven—I think the Valuation Office Agency has an automated valuation model, so it would probably be led by Government. When it comes to external input, you would probably use chartered surveyors. If you were really progressive and ambitious, you would probably think about letting consumers put their floor plans up or submit the real size and floor plate of their dwelling and how many bedrooms there were, because getting consumer engagement is a key part of this.

Q363 **Chair:** Maybe people have already gone down the path of giving up their privacy by listing their properties on websites. Before I go back to Ms Yang, I want to go to you, Ms Allsopp. Some properties will probably have gone down in value—I believe that covid has had an impact. Do you want to explain what you have seen?

Kirstie Allsopp: I think there are two different things. First, we come back to the previously discussed problem at the top end of the market. Larger, rural properties in England, Wales and Scotland have dropped enormously in value in the last 18 months, for various reasons, but the data is not available yet, because in many cases they have not sold. I was recently told by an estate agent in Dorset that he had 46 properties on the market and six viewings.

Q364 **Chair:** What sort of price bracket?

Kirstie Allsopp: The absolute top price bracket—we're talking £1.5 million and above. Homes in that bracket have recently really dropped. They are just not selling. The problem is that a property, as you said, is only worth what people are prepared to pay for it. So valuation is a difficult issue, unless, as Richard said, you have a street with a lot of similar houses; then it is much easier. So I think you have to be careful not to put yourself in a situation where you have a lot of appeals for revaluations from people who can afford to appeal, because they are looking at a property that may have been worth £3.5 million and is now worth £2 million and they do not want to pay the differential.

The second thing is this. We were talking earlier about people altering their properties and not wanting to pay for that. If we are having yearly revaluations, that is a real problem. I cannot say that strongly enough. We need people to invest in their homes and not be disincentivised from doing that.

Q365 **Chair:** What about the lower end of the market? Have you seen anything there about valuations that have shifted oddly?

Kirstie Allsopp: No, I haven't, thank God.

Q366 **Bobby Dean:** I want to come in on that exact point, because some economists say that, actually, you should be trying to value not the property but the land itself. I don't know whether you want to come in on that point, Professor Leunig. If it was possible just to pull out the value of the land, rather than the value of the property that is on it, would that make a difference?

Professor Leunig: That would be even harder. You have to start with the sale price of the house, work out what the house is worth, and then it is a subtraction, so that definitely would not be easier.

To answer your previous question, Chair, very low-value properties can be really hard. We do not have many in the UK at the moment because we are so short of housing. However, if we go back to the start of the last Labour Administration—the very late 1990s—there were parts of the country where you could buy a house for 50 quid in the pub. There were places in Newcastle where that was true—where houses sold for £50, £500 or £5,000. The same was true in Liverpool. That is why pathfinders came along. In that sort of world, what something is worth really is impossible. I would not want to go there; hence my £800 minimum. I do not think you will ever get a good valuation there.

Q367 **Chair:** Separately, before I pass to Ms Yang, you talked about your proposal being fiscally neutral and we discussed the political challenges of delivering it. I have a simple question: why bother?

Professor Leunig: The Government should definitely get rid of stamp duty, because that is a proper economic problem. If you get rid of stamp duty in the way that I suggested and you have an annual tax above £500,000, you can end up with a pretty big dry tax, as you said, Kate, that people have to pay. If they have to pay all of council tax, plus all of my new annual tax, that looks like a pretty ugly annual tax that I did not think was politically viable. Therefore, I wanted to reform council tax in order that it did not go above £500,000 and delivered a stable basis for councils. My motivation was a knock-on effect on council tax from stamp duty, because stamp duty is genuinely reducing the rate of economic growth.

Broadly speaking, I think I am, like everyone around this table, richer than average—I have wider shoulders than average, to use the Chancellor’s thing. If the Government want to make people like me poorer, hitting me with income tax is a very bad idea, because I can always choose to work less, whereas hitting me on property tax or in other ways does not reduce my incentive to work. I am not the only person who thinks like that. Thirty Percy, a philanthropic organisation that has funded me, and Stonehaven, for which I have worked, have done a lot of work on the fact that people prefer to be taxed less on work, which they see as contributing to society, versus other ways. Again, there are political and economic reasons to think about reforming property tax, because something has to go up very soon.

Q368 **Yuan Yang:** This question is to Ms Willis and then to Professor Leunig. We have just been discussing stamp duty land tax, which is charged when you buy a house. I want to turn to capital gains tax, which is charged on some properties when some owners sell a house—primary residences are currently exempted. Ms Willis, could you speak about the pros and cons of equalising capital gains tax on property with income tax?

Kate Willis: One of the key issues there is indexation and the extent to which you tax the inflationary element of a gain. One of the justifications given in the past for keeping the differential is that otherwise you will tax that inflationary element. It is a sort of proxy for not doing that.

Q369 **Yuan Yang:** But if there was indexation to inflation or to some other index, what would the pros and cons be?

Kate Willis: That is a political decision for the Government rather than for our institute.

Professor Leunig: As a pure economist, I think we should go back to the old days when you taxed owner-occupiers on their imputed revenue stream from renting their own house to themselves, but I am honest enough to admit that that is never going to happen. It was schedule A back before 1966. You should never tax inflation. In that sense, I am a Nigel Lawson fan. He did not believe in levying CGT on inflationary gains in anything else.

Countries that have CGT on owner-occupied property always allow for roll-over relief. If you sell one house and buy another, you do not have to pay the CGT; otherwise, people would have an incentive never to move, and that would be a bad idea. Most countries that do it also allow relief if you put the money into a pension. That facilitates people buying a house when they are young and not putting much money into their pension. Then, when they are my age and their children leave home, they sell the house and put it into a pension. I can see merit in that as well.

We should think a lot more about merging pensions and houses. There is a huge bill coming up for Parliament, because more people are going to be in the private sector when they retire, and that is going to cost us a fortune in universal credit. Overall, I would love for you to be brave politicians, but CGT on owner-occupied property—blimey! If you call for that, I will respect your bravery.

Q370 **Yuan Yang:** Can I clarify two separate things that I think have got confused in this discussion? One is the discussion of broadening the CGT tax base; in this case, as Professor Leunig mentioned, that could include not exempting main residences—or charging CGT on main residences—which is not case. The question I actually wanted to ask was about raising the rate, so that it is equalised with income tax, rather than broadening the base. Professor Leunig, do you want to comment on that?

Professor Leunig: As an economist, I believe that all income should be taxed the same, but defining "income" as excluding any inflationary gains. If memory serves me right, that was the system in the Nigel Lawson era, when CGT rates were the same as income. The only exception is that CGT tends to come along in clumps, so you almost always end up as a 40% taxpayer in the time you get your CGT lump, whereas income tends to be smoothed out—there is an issue to think about there. In general, dividends, savings income, income from earnings and CGT are all income, if you are an economist.

Q371 **Catherine West:** What is the wider impact of even minor changes to CGT? I am referring to the look and feel, and the sense of confidence in the property market.

Kirstie Allsopp: As far as CGT on main residences goes, I cannot even grasp the impact that would have. It comes back to my earlier point: we should not do anything to discourage people from moving, and we should not do anything to discourage people from improving, and this would do both.

Kate Willis: There are some administrative challenges with taxing main homes. The principle of private residence relief has been in place since 1965. People just do not keep records of their costs and improvements. If you had to do this, you would have to look at uplifting a base cost, or changing the base cost from 31 March up to a current value. It is fairly fraught with challenges. If you set it at houses over only a certain amount, you would have some quite severe cliff edges.

This also goes to the point about looking at the tax system holistically. If you change one element of the tax system, it has an effect on the other. If high-value properties are subject to CGT, that is going to reduce transactions at that level, which then has an effect on SDLT revenues. You need to look at it holistically.

Kirstie Allsopp: As somebody who has just paid CGT on a gift to a child, and who had to work out all the different amounts of money that I had spent improving that flat, I know how complicated it was for someone who is very experienced and keeps quite good documents. Most people do not have an accountant; they are PAYE. In terms of the average person doing this, it would be great for the accountancy industry, but it really would be very difficult.

Q372 **Catherine West:** Can I return to council tax and the general other taxes question? Professor Leunig, I think you mentioned the single person concession, and how that encourages people to stay in a big house on their own. Could you explain a little more the concept of a residence tax? I am thinking about other places where rates are payable and landlords have to pay rates, which protects renters, who are becoming a bigger part of the market. Do you have a general view? Who would like to throw in on that? It is just about the philosophy that, if you own a property, you should pay this. Whether you then add that into your charge for rent is down to the market.

Professor Leunig: It was Kate who mentioned that earlier, but it would be down to the market, and I would expect the pass-through to be close to 100%—that is how rents work.

Chair: Does anyone else want to contribute on that?

Kate Willis: I suppose I would make a rather dull, administrative point: if you put it on owners, you need to know who all the owners are. At the moment, we do not really have comprehensive data on who owns all property. We know council tax, because it is currently on occupiers, not owners. The Land Registry records everybody's legal title, but even that is not complete. There is an administrative challenge there.

Q373 **Catherine West:** Finally, one last question, which is about big houses. We probably have enough bedrooms in the country, when we talk about supply. In terms of the taxation that homeowners are charged when they rent out a room to lodgers, it is to keep the price low for the lodger, which is good, but more people could be taking the scheme up if the tax did not kick in at, I think, about £7,000 a year. Once you are earning that, you have to declare it. Does anyone have any views on that? I am trying to get around that thing about supply and more new homes versus the homes that we have.

Kate Willis: I think it is important that that threshold, which is currently just over £7,000, is uprated, because that has not changed for a number of years, and probably does not reflect rents in areas. Then you get the complexities, as you say, of just going a bit above it, and then somebody has to make a return. Looking at those thresholds would be a very good idea. It is part of good custody of the tax system—making sure that that is achieving its policy intent of making people take these things up.

Catherine West: Thank you for allowing me that digression, Chair.

Chair: Thank you, Ms West. Jim Dickson MP.

Q374 **Jim Dickson:** One other idea the Chancellor could decide to pick up—it has been around for a while—is levying a charge on properties at the top end of the market, which would fit Professor Leunig's notion of those with the broadest shoulders paying the most. For instance, a 1% levy could be introduced on properties over £2 million at that threshold—otherwise dubbed a mansion tax in the past. Do we think that such a tax would be fair? Kirstie Allsopp?

Kirstie Allsopp: I think there would be a lot more properties worth £1.999 million. You would see an extraordinary impact. We have to bear in mind that, across the board, one of the problems with stamp duty is the slabbing and the alteration it makes to prices at certain points. One of the things I find most upsetting about stamp duty now is that I used to be able to calculate it standing on my head. Now I have to go on the stamp duty land tax calculator, because it has become so complicated that most buyers, even people with experience, cannot do it.

Jim Dickson: So there is potentially a practicality issue there.

Kirstie Allsopp: Yes.

Q375 **Jim Dickson:** How about a fairness issue, Professor Leunig?

Professor Leunig: Fairness is in the eye of the beholder. I am not sure why someone who pays £2 million for a house should be taxed more than someone who spends half of that money on a house in the south of France, or on a yacht or anything else. If you are going to have a wealth tax, you should have a wealth tax, rather than isolating one form of wealth.

I also think the cost of running it, relative to the yield, would be very high, because as Richard will tell you, these are the hardest properties to value. They are also the people who have the best lawyers to contest the valuation, and the amount of money you are likely to raise is going to be pretty small. It would not be No. 1 on my list, were I still to be advising the Chancellor on how to fill a black hole.

Q376 **Jim Dickson:** One hundred and sixty thousand homes would be over £2 million, and a 1% levy on a home that cost £3 million might get you £10,000 a year, so 1% on the £1 million. Would those not be reasonable numbers, ultimately, for the Treasury?

Professor Leunig: I would have to go and google the numbers, but again, the question is, if it is £2.1 million, are you levying it on all the £2.1 million or just the £0.1 million? If you are only levying it on the £0.1 million, you really are not going to be raising that much money at all. We might as well have a whip-round around this table.

Chair: Well, if you are offering, Professor Leunig. *[Laughter.]*

Q377 **Jim Dickson:** Mr Donnell, what effect do you think a levy would have on the housing market?

Richard Donnell: I don't think it is all about that tax on the whole or the part above. Basically, homeowners will simply consider, "What is the extra cost above the status quo today?" and they will want to reflect that in the price they pay. It might have a big impact on housing transactions. At the very beginning, we talked about how much money is made on stamp duty, which we are obviously saying we need to abolish. A levy on that end of the market would distort the market from a transactions perspective. Only about 1% of homes are more than £2 million, so it is the very top end of the market, but this comes back to a point made by one of the Committee members earlier about ability to pay. Is everyone in a £2 million home also at the top end of the income distribution? Then you get the whole deferral of taxes issue and things like that. I agree with Tim—it might sound great but, actually, for the effort and complexity involved, it is probably not going to generate much money.

Q378 **Jim Dickson:** Ms Willis, it passes your earlier tests of being easy to collect and hard to avoid, and it raises some revenue. Again, do you feel that this is something the Chancellor should consider?

Kate Willis: Going back to my systems point, you would have to establish a new way of collecting that tax, so there would be a systems cost and you would have to establish ownership of those properties again. In terms of those criteria and public acceptability, there is often a fear of threshold creep. There is a tax, the annual tax on enveloped dwellings, that taxes higher-value residential properties that are held in corporate structures. That was originally designed to stop people enveloping their property, so putting their property into a structure and then selling the shares at very low cost—literally "stamp" duty, rather than the stamp duty land tax on selling your property. That threshold started off at £2 million and it has now gone down to half a million.

Q379 **Jim Dickson:** A mansion tax has been ruled out, I think, by the panel, and we all want stamp duty to go. We have Professor Leunig's idea of an annual property tax, but we all think there are lots of problems with council tax. Do you think there are actually any property taxes that we ought to be entertaining? We are ruling a lot out here. I want to ask Ms Willis first—

Chair: Ms Willis may be able to talk about the technical stuff. We appreciate that you do not have a political position, Ms Willis.

Kate Willis: Yes, exactly. I would go back to my general point about holistic reform: look at the taxes overall and the taxes individually, but you also have to look holistically because they all affect each other.

Richard Donnell: For 15 years now, economists have been promoting the idea of, "Let's shift to a proportional property tax," and get away from transaction taxes. Tim's paper deals with a lot of the gnarly challenges around valuing expensive and cheap properties, and trying to get council tax covered off.

There is a question, because your proposal assumes that we are almost tax neutral on stamp duty, about whether we want to be tax neutral on stamp duty and shift the burden on to people with homes over half a million. Again, to the point raised earlier, 70% of homes in London are over half a million pounds, so you are really going to shift that burden of replacing stamp duty on to homes in southern England. There is also a big assumption about people just because they live in those homes, but half a million is the average price for a property at the moment. It might be a lot of money, but that is the reality.

It seems to me that the right answer in the medium or long term is a move to a proportional property tax, but there are some very big transitional challenges that present some real hurdles. Do you accept a delay to get to the right place in the medium term or do we really need that money in the short term?

Professor Leunig: I will give two principles. The first is that property is the best basis for local taxes, because it is the only thing that cannot move out of an area. If we gave Reading the right to put a tax on petrol, and it used it, all that we would find is that people in Reading would buy their petrol just outside. Similarly, you cannot have a local tax on cigarettes, because it would be levied at the warehouse and so on. The one thing that local areas—particularly small local areas, and British local authorities are much smaller than is typical abroad—can definitely levy is a property tax, and it needs to be regressive. It needs to be regressive otherwise Burnley has no tax base. We should not worry about the regressiveness of one tax; we should worry only about the regressiveness of the tax system as a whole. That is why something akin to council tax—I think my version is better—is a good local tax.

We then also need a property tax because, in the long run, if you do not have a property tax you are going to have to tax income more, including VAT, which is a tax on income by remove. That is a very bad incentive. That is why, ideally, you would have a land tax, but a land tax is very hard. I am with Kirstie, who says that we should not tax people who improve their homes.

We should not want to tax property; we should want to tax land. Every economist—including Winston Churchill and the Mirrlees thing; all true economists—as a hill to die on, will tell you that they like land taxes. Stamp duty is a bad land tax. An annual tax on the value of your property is the best plausible approximation that I could come up with to every economist's dream.

Kirstie Allsopp: I think we have to be very careful not to see buying property as a sin. At the moment, it is a sin tax. It is like cigarettes, alcohol and first-class travel: you are punished for wanting to buy a more expensive property than the previous one. That is wrong. It should remain a positive, aspirational thing to want to have a better home for your family. We should encourage it. We know—people who are far more knowledgeable than me tell you this—that it is an economic positive to encourage people to move house.

We also know that you should be able to easily move with rent. At the moment, if someone decides to rent out their house for five years because they want to move nearer to their mother who has dementia and is not going to live much longer, it is not practical to do that, because that rent will be taxed. They are renting the equivalent house in another part of the country, and they will not be able to afford to do it.

We need to look at the whole system from the perspective, for the most part, that these are people's homes, whether they are rented or bought. We have to have a more positive attitude both to landlords and to people who want to buy properties.

Q380 **Yuan Yang:** Professor Leunig, you said just now that all sources of income should be taxed equally. There are many renters in Reading and across the country—my younger brother, for example—who are paying higher effective rates of tax than their landlords, who do not pay national insurance contributions on the rental income that they earn from, by and large, younger renters, like my brother. I personally see this as partly an intergenerational fairness issue, given that landlords tend to be more of your category of age, Professor Leunig, and renters tend to be on the whole younger. Do you see this as a fairness or as an economic efficiency issue? What would you propose to do about it?

Professor Leunig: It is both, because, as Kirstie said, it is rather odd that if you rent out one property and rent another one, you will be a loser. You cannot offset that rental charge against it. That is why, deep in my heart, I would love to go back to schedule A, because you would then pay—you implied you were an owner-occupier—rent on it and you would be able to offset the mortgage interest relief, as you used to be able to. That is not realistic.

The second best thing is that NICs should be levied on all sources of income. National insurance contributions should, in the main, be levied on savings rates, pensions, income from letting out a house and so on. Of course, that would allow other taxes to be reduced. That is the important thing to understand: when you broaden a tax base, you can cut the rate. Obviously someone could attack me by saying, "Tim Leunig says put NICs on pensions," just as I have also said we should put VAT on food, but the corollary is that you can lower the rates across the board and have a simple, flat system. As Kate Willis constantly points out, the simpler the system, the better.

I say again, though, that when Ministers used to ask the civil service, "Is this fair?" we used to say, "That is a question for you guys; that is your side of the table, not ours." Fairness is in the eye of the beholder.

Q381 **Yuan Yang:** Thank you, Professor Leunig. Mr Donnell, you are smiling. Could you comment on the impact of Professor Leunig's proposal? What impact do you think such a proposal would have on the market?

Richard Donnell: The challenge with the private rented sector is that it has not grown for a decade since the introduction of reduced mortgage interest tax relief and higher stamp duty. The private rented sector more than doubled in size between 2000 and 2016, and it has gone sideways. The social rented sector has not grown in size for 30 years. We have a static rental market in this country.

The vast majority of private rented homes are owned by private landlords. The real challenge is whether, if we layer more cost on to private landlords, they will want to sell properties, which will reduce supply. That impact is on lower to middle-income renters, because the more you constrain supply, the more rents will go up.

Rents are rising at the lowest rate for four years. Of course, we want to build more homes in the private rented sector—we want to build more homes of all tenures. A lot of people in the private rental market are on housing benefit, because we have not grown the social rented sector. Anything that changes the decisions of private landlords and how they think about property—40% of private landlords do not have a mortgage, so it is not all about mortgages; it is about the broader costs, and their costs have gone up a lot, if you look at the data from HMRC.

Professor Leunig: Sorry, can I clarify one thing? Of course, as a true economist, I would allow them to offset the mortgage cost in full, and I would indeed allow them, if they do not have a mortgage, to offset the shadow mortgage cost—the fact that they could have invested that money somewhere else. I am not saying that I am going to put up the tax burden, but the way the tax burden is currently structured is not especially economically literate.

Chair: Ms Allsopp?

Kirstie Allsopp: I'm so sorry; I should not address a question to Tim, but I presume that, if he is proposing that we impose national insurance on pensions, he would do the same to stocks and shares.

When you compare a rental investment as a landlord to a share portfolio, you have to pay capital gains on the sale of both and you have to pay income tax on what you get each year. However, when you have stocks and shares, you can sit on your arse 365 days of the year and do nothing, and you will still get the money in.

What I think we forget about landlords is that they have to spend money maintaining those properties, looking after them and sorting out things for the tenants all the time. I know it may not seem like it, but in this country landlords actually do more to the properties than in France, Germany or Italy. We have a very different system, under which the tenants are much less responsible for the maintenance of the properties than the landlords are. So, when you seek to increase the burden on landlords, you have to be very careful to remember that rent is not like other income streams. They have to maintain that physical element.

Chair: They are working for it?

Kirstie Allsopp: Exactly.

Chair: It is not a passive investment.

Kirstie Allsopp: It is not a passive investment.

Q382 **Dame Harriett Baldwin:** I have one last question. You have been a fascinating panel. However, it struck me that all the conversation has been around assuming a finite stock of property, yet everyone wants to see more homes built. What tax change in the property sector would be the biggest incentive to stimulate not only demand for new housing, but the supply of it?

Kate Willis: I absolutely agree that supply is crucial. We have just written a paper on the tax barriers to supply and there are a number of technical changes that we think would address obstacles in supply. I would be very happy to provide a copy of that paper.

Dame Harriett Baldwin: Thank you very much; we would love a copy of that.

Richard Donnell: I have just done a big report on the viability of housing development and the challenge for house builders is that the cost of building has gone up by 20% in two years, but sales values have only gone up by 1% in London, 50% on cost and 4% on prices, so there is a huge squeeze. In the coming Budget, there is a landfill tax coming through—again, it is not a property tax—that will potentially add a lot of money to every single home, on top of all the other taxes.

So we have a lot of policy cost inflation coming through, on top of rising materials and labour costs, and we do not have house price inflation to pay for it all. It is challenging for a house builder potentially to buy a bit of land in about 60% of the country at the moment.

Q383 **Dame Harriett Baldwin:** So the landfill tax threat would be the one you would change if you had to choose one.

Richard Donnell: That is one example, but there are others. We have been layering on cost on the development of housing and we probably need to start winding some of it back. Potentially, that one not hitting is the first place to go.

Professor Leunig: I am going to assume that the landfill tax is not going to happen, because it is so obviously nuts and it will kill off building, particularly in London. That is because London creates a lot more spoil than elsewhere, as you have to dig down to put the pilings in for flats. That landfill tax is particularly a problem in London and we would almost certainly get virtually no houses built if it goes ahead. I think that it was an error on the part of the Treasury and I am not expecting them to go ahead with it; it would be bizarre if they did. It will not raise any money either, for that reason.

The one that I would say is stamp duty land tax. Most particularly, the big housing developers will tell you that you cannot build more houses than a tenth of the number of houses that are sold in an area, because there are a whole bunch of people who, for whatever reason, do not want to live in a new house. Therefore, the more flexible the market is, the more people sell who would be willing to buy a new house.

Broadly speaking, if we can double the number of transactions of existing houses, we can double the absorptive capacity of new builds. Therefore, if you want to get Britain building, getting rid of stamp duty land tax would be a good way to do it.

Kirstie Allsopp: I do not have anything to add, except "From their mouths to God's ears."

Dame Harriett Baldwin: Okay. That is a good place to stop then.

Q384 **Chair:** Can I just ask another couple of quick questions? The timing of the payment of stamp duty land tax is, as one of our colleagues knows, very fast. Is there anything about that that you would change, Ms Allsopp? Does that make a difference to people?

Kirstie Allsopp: It does make a difference. The thing that we have not talked about—

Chair: I should say that I think it is two weeks after—

Kirstie Allsopp: It is very fast; I think it is 28 days.

Chair: So you need to have the cash the day you buy the house.

Kirstie Allsopp: And you are not allowed to borrow that money either, so that has—

Professor Leunig: No?

Kirstie Allsopp: No.

Chair: It is interesting; our panel members are clearly learning from each other. Please continue, Ms Allsopp.

Kirstie Allsopp: If you will forgive me, I would just like to say one thing. My taxi driver who brought me here, Vince, has been a cabbie for 21 years. We just met when I got in his cab. He was originally from Belfast. His mother-in-law died two weeks ago. She had a house in Bromley that was worth £650,000. She left it to his brother-in-law and his wife, with a 20% share going to his two children, who are 35 and 25. The daughter is a headteacher and the son is a teacher. Neither of them own their properties at the moment—the elder because her marriage failed and she sold her home and the younger because he is 25. She has just found a new partner and done IVF and she is three months pregnant. He is very excited about that.

If either of those two people bought a home, they would have to pay second-home stamp duty because of their share in the house that their granny left them three weeks ago. It is just absurd. Vince wants to buy out his brother-in-law and move into that house and leave his children with the 20% share that their granny intended them to have. I was the one who had to warn him that that was not a good idea if either of his children wanted to buy a home.

Chair: A lot of people out there do not get advice because they are not expecting that sort of transaction of houses.

Kirstie Allsopp: Yes, and I did not make Vince up. He exists—he was the taxi driver who brought me to Portcullis House this afternoon.

Professor Leunig: I will add to that that I was very surprised—I knew nothing of course of Angela Rayner's housing affairs until it became public, but I read the stuff on gov.uk and she seemed to me to be entirely compliant with the advice on gov.uk, until you read the small print. Which of us ever reads the small print? A tax system that does what it says on the tin should be welcomed.

Here, as with Vince—and I do not claim any deep understanding; I have never met Angela Rayner—if you cannot live in the other house you are deemed to own, as is the case here, the house is not a second home. A second home means there are two places you can choose to live unless you choose to rent it out, so clarifying the rules on what is a second home to meet the common-sense definition of a second home should definitely also be a high priority for the defunct Office of Tax Simplification.

Q385 **Chair:** What about the timings of paying this? Is that not something you know about?

Professor Leunig: From HMRC's point of view, they would be alarmed at any longer period, because then people have moved in and either cannot pay or will not pay. I actually thought you had to pay on the day, and I should say that in 1996 I did pay mine with a credit card because I took out a cash advance of the £1,300 that it was and gave it to my solicitor.

Kirstie Allsopp: You may be able to pay with a credit card, but you cannot include it in your mortgage application.

Professor Leunig: Ah, your mortgage application.

Chair: We are in danger of straying into advice and guidance, aren't we?

Professor Leunig: Just for the record, I am not a financial adviser and have not given any advice.

Chair: Do you have anything to add, Kate Willis?

Kate Willis: It is 14 days, reduced from 30 days a little while ago. It is a very efficient way of collecting tax, because it is linked to the registration of the property and paid over immediately. You put in your return, send it in and pay your tax, so it is quite an efficient process. There are other short-term payments, such as CGT for 60 days on second homes, which do not work so well because they are linked to legacy systems in HMRC and they do not link together well. The SDLT one works pretty well. Technically, it is working well, probably for the majority of people.

Q386 **Chair:** Just very quickly—probably just to Professor Leunig, unless anyone else has anything to add—we have had a good discussion about all of the options, but this could take a while to do. Is this something that could be done in one Budget?

Professor Leunig: If it was the centrepiece of the Budget, you could do enough. You would never get all of it done, but you would get a lot of it done in one Budget.

Chair: Some changes kicking in by next April.

Professor Leunig: Yes, and ideally you do not want foreclosure. Ideally, you would want the Budget in March for this sort of thing, because you want people neither to delay for five months nor to accelerate for five months.

Chair: Lots of interesting moving parts. I thank our witnesses. Do you want to add anything on that, Ms Willis?

Kate Willis: I was just going to say that we should not underestimate the magnitude of system change.

Chair: I spent over a decade looking at system change in the public sector and how much it can cost the taxpayer. I thank our witnesses enormously. The easy part, based on what our panel has said, is that no one likes stamp duty land tax. The hard part is what follows it and what that means for council tax and income for the Government to spend on public services. Perhaps it is not so much a question of location, location, location, but more of taxation, taxation, taxation.

I thank our witnesses: Kate Willis from the Chartered Institute of Taxation; Richard Donnell from Zoopla; Tim Leunig from Public First Consulting; and Kirstie Allsopp, TV presenter and property expert. Thank you very much for your time. The transcript will be available on the website uncorrected in the next couple of days—thanks to our colleagues at Hansard for that.