

**Written evidence submitted by Andrew Dixon (Founder at Fairer Share); Matthew Lesh (Head of Research at Adam Smith Institute); Torrin Wilkins (Director at Centre Think Tank); Tom Burgess (Chair at Coalition for Economic Justice); Robin McAlpine (Director at Common Weal); Kevin Hollinrake (Conservative MP for Thirsk & Malton at Member of Parliament); Polly Mackenzie (Chief Executive at Demos); Dr Wanda Wyporska (Executive Director at The Equality Trust); Dan Wilson Craw (Director at Generation Rent); Liz Emerson (Co-founder at Intergenerational Foundation)**

We live in a society that has come to be seen by many as unequal, creating a “geography of discontent”.

The top 10% of UK households possess 45% of all wealth, while the bottom half own just 8%. Furthermore, research shows that nearly three quarters of the British public agree that “rich people get an unfair advantage”, while just 30% feel that “British society as a whole is fair”.

We now face the challenge of addressing the Covid-19 pandemic. In many ways, the pandemic has brought out the best in our nation as social bonds were strengthened to face this unprecedented crisis. Regrettably, the pandemic has also highlighted deeply entrenched social and economic divisions. It has inflicted a particularly heavy economic toll on those in low-paid and insecure work, young renters, and ethnic minorities. It is the less well-off who have paid the heaviest price.

As we emerge from the immediate crisis of the pandemic, we have an opportunity to rebuild a fairer economic settlement across the country and between the generations. A chance to create a more just society and crucially, a system people believe is right. One that leaves our public services more resilient to face future challenges. A society where hard work brings both rewards and obligations accepted as reasonable by everyone.

As the process commences, we believe reforming Britain’s property taxes are an urgent and important part of the solution.

**Council Tax is poorly designed, out of date, and unpopular.** It is based, in England and Scotland, on property valuations that are almost 30 years old and therefore bear no resemblance to the realities of current pricing levels. Its structure ensures that all those in the same band pay the same amount of tax irrespective of the actual value of a property. A person living in a property worth £100,000 pays around six times more tax, as a share of property value, than someone living in a property worth £1 million. This places the heaviest burden on the young, low-earners, and those living in less prosperous parts of the country, who typically live in modest properties.

**Council Tax is increasingly putting lower-income families into debt.** As of March 2019, the total amount of outstanding Council Tax debt in England was £3.2 billion, an increase of over 20% in just four years. The effect of Covid-19 has only exacerbated the situation, with an extra £700 million added in outstanding Council Tax debt from over 800,000 UK households since March.

**Council Tax’s partner in crime is Stamp Duty.** Stamp Duty is a better designed tax than Council Tax in the sense it is progressive, linked to property values and is more generous to young people thanks to its first-time buyer discount. We welcome the Chancellor’s Stamp Duty holiday but it does not go far enough. By taxing property transactions, Stamp Duty discourages homeowners from moving that would lead to a more effective use of housing. This has wider economic consequences when it leads to people turning down job opportunities outside of their local area due to the cost of moving home.

**Council Tax and Stamp Duty have also played their part by fuelling house price inflation and encouraging the inefficient use of property and land.** By failing to keep up with rapid house price growth over the past

three decades, Council Tax has deprived the Government of crucial tax revenues and artificially increased the relative attractiveness of housing as an investment, inflating the housing bubble.

The result is that owner-occupiers are increasingly being crowded out by investors and purchasers of second homes, who now make up roughly a quarter of all residential property sales. The regressive nature of Council Tax combined with Stamp Duty's tax on transactions combine to discourage the efficient use of our existing stock of housing.

**Solving the housing crisis will require a multi-pronged approach, including more building and modernised planning rules as well as tax reform.** In contrast to the current system any reform should have principles of fairness and equality at its core. A new economic settlement, including a fair system of property taxation, is urgently needed to restore social cohesion.

What makes a tax fair is its ability to raise sufficient revenues to pay for the public services we all value and depend upon, while distributing that burden based on people's ability to pay. Economists see property taxes as useful because they are hard to avoid, as well as being less economically damaging than taxes on people's incomes or businesses.

A new property tax should therefore: charge people based on their actual property value and ability to pay, encourage the efficient use of existing property, and be simple to understand.

**The Government has set its mind on narrowing the divide, promising to "level up" Britain's regions. Reforming Council Tax and Stamp Duty with a fairer system would be a good start on achieving this vision.**

**We welcome the Treasury Committee's new inquiry into "Tax after Coronavirus" and urge the Government and HM Treasury to take this opportunity to conduct a thorough review of Britain's residential property taxes.**

### **Signatories**

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