TAC0053

Written evidence submitted by Mary Campbell

The three top areas for reform to reduce economic inefficiency and extreme financial inequality: property, pensions and gifts/inheritance. What follows is a summary only - I have thought these proposals through to much more detail which can be provided if you wish. I do not currently have access to a computer and only just found out that this consultation was happening.

1. Property: (a) temporarily lift business rates from retail outlets until sensible tax is paid by online sellers. (b) reform council tax in the direction proposed by the IFS on March 18, but amended as follows: tax payable by the OWNER, not occupier; a uniform and fixed payment of about £1,000 which the owner can charge to tenants with rent; a further 0.2 % of market value over a minimum, self-assessed annually as with probate valuations but with penalties for significant under-valuation; 0.4% for second or empty homes; abolish single persons discount; up to ten years interest-bearing debt buildup where increases are over, say, 10%, payable on death, sale or after 10 years; introduce the reforms over three years, to protect council administrators from nervous breakdowns, starting in the first year with properties worth over £1 million (c) over time after the new arrangements have come in, limit stamp duty to dwellings worth over £1m.COMMENT: the IFS proposal is excellent re economics and financial morality, but completely hopeless re psychology, emotion and administrative and political practicality. The effect of the computer/algorithmic? valuation system proposed by IFS will be many times worse than the exam chaos last month. Even with a traditional valuation approach, the insecurity etc of maybe having to fight nameless valuers would destroy many people. I predict suicides! Self assessment is now easy through Land Registry and owners should be keeping tabs on the value of their properties anyway. With self assessment on owners, the change could be introduced immediately. The 0.45% of market value charge proposed by IFS would be far too great a change for millions of homes bought in good faith and result in huge and fast collapses in market values leading to negative equities for mortgages. The division between two elements I propose reflects the Mirrlees principle ‘Housing is a consumption good for the people who live in it and an asset for the people who own it and should be taxed accordingly’ (p.18 of IFS March 18). NB more than half of owner occupied dwellings have two or more spare bedrooms, such is the inefficient use of current housing stock.

2. 2.Pensions: (a) keep state pension as is - most of it goes to pensioners with incomes too low to pay tax; however, although the bus pass should be kept as is, the extra untaxed financial goodies should be taxed, perhaps by folding the payments into the already taxed state pension; [en passant, I urge Committee members and staff to read the form that pension credit applicants have to fill in, which in effect requires the husband to count up and declare every penny of cash he or his partner has in their possession as well as much else.] (b) restrict tax and NI relief to pensions worth no more than would provide incomes,including the state pension, equivalent to the

national average wage, about £30k. I have various suggestions on how to do this. (c) Immediately restrict the tax free lump sum to £30k and reduce it to zero over time.

3. 3.Inheritance/gifts tax: this desperately needs reform but is very difficult. I would start with a widespread consultation on various options to assess public mood and garner moral support from the public and the newspapers. Again I have several ideas......

Paying for Covid: temporary measures

1. No change for income or other taxes on businesses or most working age incomes until the economy and employment are normalised.
2. Extension of personal NI liability to all earnings for two years would be possible, but should probably be rejected. NB income tax and NI should NOT be melded into each other.
3. Keep the state pension unchanged (see above). However, employers' NI could be applied to all tax assisted occupational pension incomes.
4. Consider eliminating all personal tax reliefs except personal tax allowance and gifts to UK charities or restricting them to standard rate.
5. Consider abolishing all tax and NI reliefs on pension contributions over, say, £2,000 per person, for two years with carry forward/back arrangements skipping from year ending April 2020 to year beginning April 2022. Employers permitted to change employment contracts to pay cash net of marginal rate tax and NI for those two years. To protect pension funds, the amount retirees can take out during that period might also be restricted.

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