Funding the Future

Tax housing, and do it now

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Polly Toynbee has written:

Kick-starting the housing market is the urgent priority, isn't it?

So the government put money into preventing repossessions, and yesterday Northern Rock was reborn as a lender able to offer mortgages of up to 90%.

And as she then goes on to argue, this is not the case. Precisely because housing has been so lightly taxed in the UK it has become an asset subject to speculation and price bubbles. We all lose as a result.

There are several solutions. Polly mentions some, I offer these as well:

1) Reduce Inheritance Tax thresholds: this creates appropriate progressiveness in taxation and charges properties to tax at the precise point when it is absolutely right to do so: when the owner no longer has a use for them. And yes, a modification or two to allow for co-habiting sisters and off-spring who have been genuine carers will be needed. But this reform is essential now - and let's ignore everyone who says this is double and triple taxation. That's rubbish, as I show here. And, if we are to avoid capital gains tax charge on increase in property prices during a person's lifetime a totally realistic level of tax paid on death is the only option. An appropriate inheritance tax is the price of labour mobility which a capital gains tax during life would constrain.

2) Speculation in housing must be taxed as income - buy to let is fine: I am in favour of rented property being available. Buy to speculate is not. So short term property gains on rented property must be taxed as income.

3) Restrict tax relief on buy to let property. The 100% tax offset fuelled the property boom. Interest caps - for an individual in total and against the value of individual properties have to be introduced.

4) We have to look at land value taxation. I know this is a contentious issue. I know it will give rise to comment on this blog. But it is inappropriate to ignore the issue, even

for pensioners and others who do not have the cash flow to make payment. For them a deferred charge against the value of the property can be agreed.

5) Housing must be considered to be a communal asset again. It is not just private property. Bond financed, environmentally sound, family friendly property has to be built to meet the massive demand for decent housing that exists in this country.

We cannot afford the duck this issue. When parents all over the country wonder how their children under the age of 25 may ever live independently it is obvious that house prices remain completely inappropriately high. When tax exemption of property is a major reason for this it is abundantly clear that now is the moment to address this issue. We will never get a better chance.