

Tax works: now let's get on and use it for social good

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There's [welcome news this morning from the FT](#) that the impact of the new 7% stamp duty rate on house sales at more than £2 million has really damped the market at the top end (mainly in London, inevitably). Apparently 50% of all houses put on the market are now being withdrawn unsold after six months.

This is, I think, seen as a problem by the FT, but I warmly welcome it. One of the reasons for taxing is to reprice market failure that has anti-social economic consequence, and it is very obvious that in the housing market we do have market failure right now that is having serious social implications.

Run away property speculation at the top end of the housing market, fuelled by unjustified City pay and excessively unequal distributions of income and wealth has created a housing bubble that is denying the opportunity of secure housing to many and hope to a great deal more. If the consequence of a tax on high end property is to dampen activity at that end of the market, and even create downward pressure on prices then that is tax doing exactly what is intended of it.

We should welcome the fact that tax works in this way.

We should use it more often to achieve exactly that result.

I have long argued, for example, that high pay should be made more expensive by withdrawing tax relief for companies that pay it so that, for example, pay of more than 10 times median UK pay should not be subject to tax relief. This would then create downward pay pressure where it is needed, as opposed to [current government policy which is to create that pressure for most people who are desperately in need of a pay rise](#).

It's time we used tax creatively.

This is, of course, a theme of my forthcoming book, The Joy of Tax.