

Homes should not be tax havens, but that's exactly what...

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I am speaking [at a Common Weal sponsored event on housing in Scotland](#) in Glasgow this morning.

When doing so I'll be discussing the idea that the problem we have with housing in the UK as a whole is that we have turned them into micro-tax havens, where tax reliefs and advantages for those who are privileged to have access to home ownership get advantages that are denied to those unable to join this exclusive club.

The notes I prepared for the event (which are more comprehensive than anything I will have time to say) are as follows:

- * **Tax havens**
 - * Cost us money
 - * Stifle hope
 - * Destroy opportunity
 - * Deny us the basics we need in life
- * **It's my suggestion that there are tax havens nearer to home than many think**
 - * The unfortunate fact is that far too many UK houses have been turned into our own, home grown, tax havens
- * **Houses as tax havens impact society**
 - * Increasing the cost of housing
 - * Stifling the chance to have a long term home to many
 - * Denying the opportunity to move to work when it's necessary

- * Forcing people to live in inadequate housing
- * **The housing tax haven was created in at least seven ways**
 - * By making all the gains people make on their own homes tax free
 - * By making sure most homes are free of inheritance tax
 - * By having no wealth tax many homes can escalate in value tax free virtually without limit
 - * By having a council tax that is not a charge on value: it's a capped service charge that makes no real demand on the wealthier households whilst being oppressive for those on lower incomes
 - * Because we also exempt large parts of the gains in many buy to let properties
 - * By giving tax relief (even if it is now being limited) on interest paid to buy buy-to-let properties, which is not available to owner occupiers
 - * Whilst the costs of repairs, redecoration and much more can be used to offset tax on buy-to-let properties but not on homes
- * **The result is that like all tax havens**
 - * Some get tax privileges denied to others
 - * Those who can get the tax privileges tend to be the already wealthy
 - * And they reduce their overall tax rate as a result
 - * And wealth and income inequality increases as a consequence
- * **The fact that this tax haven used to be open to lots of people doesn't stop it being a tax haven**
 - * What it just means is that the privilege is now mainly granted to those who have been around for a while
 - * And that's the older middle classes and the wealthy
 - * At cost to those less well off and a majority of the young
- * **We now know we have to end tax havens to create more equal societies**

where

- * Basic needs are met
- * Opportunity is available to all
- * Economic fundamentals are prioritised over speculation and gains from financial speculation
- * Inequality is kept to manageable levels

- * **So how do we turn tax haven housing into homes people can afford?**
- * Again, at least seven ways
- * Use tax relief to build new housing, and not to subsidise landlords
- * In other words, require that pension schemes who get tax relief on their members' behalf use part of those members contributions to invest in social infrastructure such as social housing
- * Charge capital gains tax on homes at the end of life
- * No one has a need for a house when they or their partner (or in exceptional cases, their long term carer) die. There is a case for not requiring that CGT be paid on the transfer of ownership of properties used as a principle home during life to encourage labour mobility but there is no reason for this concern either on death, or if the proceeds of sale from a property used as a home are not reinvested within a reasonable period of sale. So there is no excuse for not applying capital gains tax on death, taking into account all transactions in buying main residences and gains on them during life. The advantage is threefold. First the need to sell properties will require that more are sold back into the market. Second, homes will cease to be seen as a tax free means of wealth accumulation for next generations, which means that household investment strategies will, hopefully, be diversified. Third, houses might be seen as homes, not tax efficient tools.
- * Introduce a wealth tax
- * We have wealth inequality and there is almost no excuse for not tackling it. A wealth tax on all property exceeding £1 million (or so) or more would impact a tiny proportion of households, would not reduce UK income productivity, would deliver useful redistribution, and would reduce the pressure on house prices and the use of property as a store of value that is preventing its use as homes. But do remember, if we have a wealth tax inheritance tax might need to go, which would be no bad thing as it is so easily avoided by so many very wealthy people.

- * Use the principles of land value taxation as the basis for local taxation charges
- * Council tax is deeply unfair. It either needs total reform to make it substantially more progressive or it becomes a land value tax that takes into consideration the role of land as a basis of wealth on a much wider basis, and brings within the scope to tax a great deal of land that currently falls outside the scope to charge. This is radical and extends beyond housing, but by changing the whole perception of a great deal of land as tax efficient investment it will change the way that land is made available for housing.

- * Increase the tax rates on second and unoccupied homes
- * The consequences of such a move for tourism have to be considered, with care, but that apart it is clear that second and unoccupied homes impose a considerable social cost. That has to be reflected in tax paid.

- * Remove tax relief on buy to let housing
- * Rather surprisingly George Osborne started progress in this direction, but the question as to why investment in private rental income that increase inequality is still state subsidies by tax relief on interest paid has not been answered and needs to be. There appears to be no such justification. This relief has to go, although allowance for repairs and improvements would seem appropriate: it is essential that landlords be encouraged to provide high quality housing.

- * Look at broader issues
- * Can we change land transaction tax rates still further to make expensive property unattractive?
- * Should VAT rates on home improvements change to improve the quality of housing?
- * How can tax be used to make homes more energy efficient?
- * Are existing exemptions for letting of rooms in homes a good use of tax funds, or should this money be used in other ways?
- * How is holiday letting to be taxed?

- * **The reality is tax has created massive housing inequality**
- * And the time to change that has arrived.

That comment if, of course, as true for the UK as a whole as it is for Scotland as things stand at present.