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Paying for the Pandemic

(together with some of the Brexit bill and some help for the High Street)

By

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The Chancellor faces an unprecedented challenge to repay over **£300 billion** of National borrowings taken to fund the cost of the pandemic so far, together with at least **£100 billion** to off-set some of the initial costs of Brexit.

Suggestions have included a 5 year Wealth Tax, which is impractical because it will raise much less than envisaged and risks our high earning entrepreneurs departing for more favourable fiscal climes; a tax impost on ISAs, which would break successive government commitments and be deeply unpopular; a raid on pensions, where the benefits have already been significantly eroded by both party administrations; an increase in Cooperation Tax, which is already high enough that all the American behemoths invoice their UK customers via lower tax regimes, such as Ireland and Luxembourg; or introducing a capital gains tax on first home sales, a holy grail that any government would change to its electoral peril.

The solution is a simultaneous and comprehensive permanent reform of the commercial and residential property taxes.

For the last ten years, since the 2010 imposition of the 2008 business rates revaluation, business has borne the burden of egregiously excessive business rates, yielding in 2019/20 some **£30 billion** to the Treasury. Of this, **25%** was paid by the retailers, although the retail sector comprises only **5%** of our economy.

Since the introduction of Council Tax in 1991, the home band rate values in England (though not in Scotland or Wales) have incredibly remained unchanged, whilst house values over that thirty-year period have trebled.

The highest English Council Tax band is still **£320,000** plus and the average top rate Council Tax payable is circa **£2,500** per annum, whether the homeowner’s property is worth **£320,000**, **£3.2 million**, or **£32 million**.

Since the Great Recession of 2008/9, due to the subsequent austerity measures, local authority revenues have been insufficient to finance their traditional responsibilities to their communities, leading a number of LAs to undertake risky commercial property investment ventures in the hope of higher returns to help them meet their commitments.

The excessive Stamp Duty rates, ratcheted up by both Gordon Brown and George Osborne, when Chancellors, and now at an eye-watering **12%** top rate for UK residents, discourage mobility and the consequential boost to the local economy from house moves is lost. It has been estimated that the average house move adds **£38,000** to the GDP. Instead, unsuitable loft extensions and disruptive basement dig-outs are done to avoid incurring the excessive stamp duty if purchasing a larger home.

Whilst many High Street retailers are now paying more in business rates than they do in rent, which market forces have savagely corrected, the on-line retailers continue to benefit from business rates set at industrial values, despite the fact that they are retailing direct to their customers from their million square foot warehouses.

I contend that we can pay off our Covid/Brexit debts, post-crisis, by comprehensive property tax reforms, whilst also correcting unfair anomalies, with the following changes:-

1. Business Rates should be set back to **30%** payable of market rental value, and **15%** where the premises are vacant. Online retailers should pay a **100%** surcharge on their business rates in reflection of the fact that they are retailing, not warehousing, from their premises.
2. Stamp Duty should be returned to **1%** for UK homebuyers, and **2%** for non-resident investor owners and commercial properties.
3. Council Tax bands should be abolished and replaced with Primary Residence Tax (PRT), levied at **1%** per annum after mortgage off-set. The tax should be capped at **£2 million** net value, except for non-resident investor owners who should pay at **2%** and on full value. Second homes should also pay at **2%,** but after mortgage offset. As this will be a significant change, there will need to be some discounts and reliefs as follows:
    a) **25%** discount for single occupiers and pensioners
    b) For homeowners whose properties have inflated substantially, but whose income has not kept pace and payment of the tax would cause hardship, there should be a means tested PRT Deferral Scheme, whereby the annual tax is deferred and paid on the sale of the property by the owner or beneficiaries, subject to a **5%** charge to fund the scheme.
4. Variable VAT rates should be introduced on retail sales – at **25%** for on-line transactions; **15%** on High Street sales; and **20%** for on-line sales, when collected in-store.
5. A windfall tax should be levied on all businesses, where profits have been turbo-charged as a consequence of the pandemic crisis and the lockdowns, which have so severely damaged most mainstream businesses.

The UK housing stock has a reported value of **£7.4 trillion**, with mortgage debt circa **£1.4 trillion**. With a taxable base of say **£6 trillion**, after discount concessions as above, a Covid/Brexit debt circa **£500 billion** could be paid off within a decade or so by the PRT revenues. Surpluses thereafter could be applied to fund fully restored Local Authority services and major national infrastructure projects.

Finally, the UK government and others should sue the Chinese government for reparations for the damages suffered, as a consequence of their cover up, obfuscations over the devastating nature of the Coronavirus, and their initial denials of its human to human transmission.

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