

Fairer property taxes

Event transcript



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Took place on January 28th, 2022

Centre

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Event panel



Andrew Dixon

Founder of ARC InterCapital

Andrew is the founder of ARC InterCapital and previously worked at Goldman Sachs. He is also the Founder and Chair of Fairer Share, is the founding trustee of the Woodhaven Trust and is an Enterprise Fellow at The Prince's Trust.



Peter Fox MS OBE

Member of the Senedd

Peter is the Conservative Shadow Minister for Infrastructure, Transport and Rural Affairs in the Senedd (Welsh Parliament). He is also the Conservative Member for Monmouth and previously served as Leader of Monmouthshire County Council.



Shreya Nanda

Islington councillor

Shreya is the former Chief Economist at the Social Market Foundation think tank and previously worked at the Institute for Public Policy Research.



Tom Spencer

Advisory Board of Priced Out

Tom works in financial regulation, is on the Advisory Board of the housing group Priced Out, and is the Chief Organiser at London New Liberals.



Cllr Will Barber-Taylor

Former Deputy Director

Will was our Deputy Director and now serves as a Councillor. He hosts the Debated Podcast and the Not A Day For Soundbites Podcast. Will was previously the Digital Campaigns & Media Officer for Generation Rent.

About Centre

We are an independent non-profit foundation and cross-party think tank. Our mission is to rebuild the centre ground and to create a more centrist and moderate politics. We support better public services and a strong economy inspired by policies from the Nordic countries.

To achieve these goals, we work with people from across the UK and party politics. This includes engaging with politicians and our networks, which include academia, politics, and law.

Our work includes creating new conversations by hosting events and conducting interviews. We also produce new policy ideas to better inform debate, publish papers, and release articles. We aim to build consensus, shape public opinion, and work with policymakers to change policy.

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Event summary

This discussion focused on how to create a fairer property tax system in the UK, examining options such as a proportional property tax and a land value tax to replace existing taxes like council tax, business rates, and stamp duty. Speakers from across the political spectrum agreed that the current council tax system is outdated and regressive. They also highlighted how current tax structures contribute to regional and generational inequalities in housing affordability.

Key themes included how property tax reform could address wealth inequality, support young people in accessing housing, and encourage fairer regional development. Several contributors supported the proportional property tax model for its simplicity and fairness, while others emphasised the need for careful modelling and local redistribution to protect lower-income households. The debate also covered how stamp duty and land transaction taxes restrict housing mobility and how a land value tax could encourage investment and productive land use.

There was broad agreement that reform is needed to make property taxation fairer, more efficient, and better aligned with the ability to pay. Speakers proposed complementary measures such as taxing second homes to ease housing shortages, merging existing taxes for simplicity, and supporting new housebuilding to address the wider housing crisis. Across the discussion, participants called for evidence-based policymaking and cross-party collaboration to deliver sustainable and equitable reform.

Transcript

Will Barber-Taylor: Hello, and welcome to our event today, where we will be talking about how we can create a fairer property tax system. My name is Will Barber-Taylor, the Deputy Director of Centre Think Tank.

The event will include five questions with the panel members, which they have seen in advance.

Following those questions, there will be a Question and Answer session where the audience can ask the panellists any questions they have, either about what the panellists said during the event or general questions about the issues we have discussed. You can either ask a question at the end of the event, or if you prefer, type it into the Zoom chat, and I will read it out at the end. Our event today will focus on property taxes within the UK.

Our current system consists of council tax, which is based on the value of your property, but uses tax bands depending on the value of the property. Business rates are based on the rental value of the property and then multiplied by a rate for either small or standard-sized businesses. Finally, there is stamp duty, which is a tax on those buying land or property. In Wales, there is a similar system called the land transaction tax.

To replace these existing taxes, two taxes have been proposed: a proportional property tax, which is a flat rate on the value of property; and a land value tax, which is a flat rate on the value of the land.

To discuss this topic, we are joined by a wonderful array of guests from across the political spectrum and from across the UK. They include Peter Fox MS, who is the Conservative Shadow Minister for Finance in the Senedd. Tom Spencer, Chief Organiser from the London New Liberals. Shreya Nanda, of the Institute for Public Policy Research (IPPR) Centre for Economic Justice. Andrew Dixon, the founder of Fairer Share. Torrin Wilkins, the Director of Centre Think Tank. Jasneet Samrai, the Deputy Director of Centre Think Tank.

Let us begin with the first question. Peter, do you think it would create a fairer tax system if we replaced council tax with a proportionate property tax or a land value tax?

Peter Fox: It is great to join you this morning, Will. This is a thorny subject. It is something a lot of people want to wrestle with, but are often frightened to.

On a basic level, I think we would all agree that the council tax is not good. Not only is it regressive, but it has a massively disproportionate impact on those on lower incomes who may happen to live in higher-value properties. In essence, it has a particularly negative effect on people who can be described as cash poor and asset-rich. In a county like Monmouthshire, where I am, there are a lot of big houses, but a lot of poor people living in them. So, how do you deal with that?

Current council bandings have also been called out of date; in Wales, council tax bandings have not been reviewed since 2003, but that is a far better position than in England and Scotland, where a review has not been conducted since 1991. What we have in Wales has created unfairness between households as well as between different local authorities.

So the question then is: do we try to reform council tax to make it fairer, or do we replace it with something else? The Welsh Government is currently looking at revaluing the council tax bands to bring them into line with current house prices, but the last time that was done, in 2003, one in three families were hampered by higher council taxes, highlighting the difficulties such a revaluation can have. The Welsh Government are currently asking the IFS to model some different banding options, aiming to level out such difficulties.

There have been calls for a proportional property tax, charged at a fixed flat percentage of property value; I see some real potential for that, with a higher rate for empty and second homes. I think there needs to be further exploration in a Welsh context, because a lot of that work has been done in other places. There are also risks with the approach. It does not fully negate the fact that some people may live in higher valued properties, but their income is not at a comparable level.

There are also questions about how it might affect the impact on council finances; there would have to be some redistribution by the Welsh Government to make up the shortfalls in funding. I would argue that in Wales, whilst they are looking at council tax reform, there are two elements of funding councils, council tax collection and the block grant and how that is distributed. And you cannot, in my view, do one without the other. There needs to be some balancing of that to counter the consequences of any council tax reform.

I mentioned that the Welsh Government is working with the IFS on some economic modelling. Parochially, the projections show that in areas like Monmouthshire, a rural region often perceived as affluent, though incomes do not necessarily reflect that, council tax and equivalent charges could rise by 20%. That is a huge burden to place on people, and frankly, it is a dangerous path to take.

As the Welsh Conservative Party, we have not yet taken a formal position on which reforms should be pursued. From my perspective, any future scheme must be fairer; it should be based on the ability to pay, not just what they own. I recognise this is a difficult challenge, but we should not penalise people simply because they live in an inherited property they cannot afford to maintain. There are clear hurdles to overcome.

While reforms must rigorously evaluate the options available to policymakers, these decisions inherently carry risks. Significant economic modelling will be essential before proceeding to ensure we make the right decisions, especially since history shows the dire consequences of getting it wrong, as we saw with the poll tax and other past failures.

Given the current challenges facing people across Wales, the government must take immediate steps to alleviate the most pressing financial burdens. At a minimum, supporting local authorities in freezing council tax, even temporarily, would provide much-needed relief.

That said, this is only a short-term measure, not a solution to the broader question you have raised. While we have not yet settled on a position, I remain adamant that any long-term reform must prioritise fairness by centring on what people can afford to pay.

Will Barber-Taylor: I think it is very important that you raised the point of wanting to help people who will be most hit, particularly in areas where people might not expect it to have adverse consequences, such as Monmouthshire, where there is a perception of higher income, without thinking of those on lower incomes. The same question to you, Tom: Do you think this would create a fairer tax system if we replaced council tax with a proportional property tax or a Land Value Tax?

Tom Spencer: Firstly, I agree with the last speaker. Council tax is an unfair and regressive system because we have not revalued property prices in the last thirty years. It has made it so that the area with the most house price growth is still valued as if that had never had that growth. So people have benefited a large amount, but the council tax does not reflect this.

When you have whole areas which have had this massive house price growth, such as London and the South East, it means that relatively, they are not paying that much council tax. If you look at a place like Wandsworth, I think they only pay about £750 to 800 a year in council tax. If you compare that to Hartlepool or Middlesbrough, they are paying more than double that.

I would say I am optimistic about the success that the *proportional property tax* will have. Any change will always have winners and losers, the reason being that some people have benefited unfairly under the current system. As Fairer Share has advocated with its model, much of the harm that the losers would have can be mitigated.

For example, any of the tax increases will be capped at £1,200. If you are not in a position to pay it immediately, you can defer payment until you can downgrade your house to something you can afford.

Focusing on the losers hides the fact that the vast majority of people will be winners from this change. I think 78% of people will end up with a net saving from the imposition of a proportional property tax. So I am completely sure that this would be a much fairer system than what we have at the moment.

Will Barber-Taylor: I think you raise some particularly pertinent and interesting points there, Tom, about how taxation is viewed and the way that it is implemented. It is somewhat different across the board and affects people more in particular areas. Shreya, do you think it would create a fairer tax system if we replace council tax with a proportional property tax or a land value tax?

Shreya Nanda: Yes, it is hard to imagine a property tax reform that would not lead to a fairer system than the one we have now. Council tax is so far from the kind of property tax system that we want to see.

To understand this, we have to look back at the history of the housing market over the last 40-50 years. House prices have gone up massively all around the country, but especially in places like London in the South East, where there has been huge growth in the economy and jobs. A fair tax system would take these changes into account, so more can benefit from these opportunities. Thinking about how we can ensure the existing housing stock is shared fairly and enough housing is built for everyone.

Unfortunately, we have not done either of those things; instead, huge house price gains have been accrued by the lucky people who owned houses in those places over those decades. The rest of society has, to a large extent, been locked out from that growth.

So moving away from council tax, which is not that different depending on how much your house is worth, to a system where you pay more if your house is worth more or if it has gone up in value. That would be enormously helpful for wealth inequality, because then the people with the most housing wealth would pay the most in terms of intergenerational inequality. At the moment, a lot of those gains have gone to older homeowners who were lucky enough to buy at a time when housing was a lot cheaper. Instead, housing gains would be shared more fairly across generations.

In terms of regional inequality, as Tom and Peter said, council tax bills are quite similar around the country, whereas if we had a property tax system that was based on house prices, you would see people in the highest price areas paying a lot more.

Will Barber-Taylor: You are completely right to hit on the fact that certain sections of the population have been priced out of the market and are unable to get on the housing ladder. One of the most discussed topics is young people. Jasneet, how do you think we can best use the tax system to help young people when buying or renting a house?

Jasneet Samrai: Like Peter, I live in Wales and study at Aberystwyth. It has very much become my home: I have started to learn the Welsh language, I have a job in town, and I have pretty much fallen in love with Wales and want to stay here for the rest of my life.

I am not going to be able to, especially in Aberystwyth, to afford to buy. As Shreya spoke about, there are high house prices here and high rents. It is just very out of reach for me because the area has a very high demand. So for me, reforming taxes is not just about increasing the number of housing units available, but also making houses much more affordable.

It is also about people being able to live where they want to live, to contribute to communities that they want to be part of. I think one of the reasons that the housing crisis is so hard on young people is not only that houses are not available, but also that they do not have a choice over where they live.

There are lots of solutions for this issue, not one magic policy that can be passed to fix everything, but I do think there are small steps that we can take both through the Senedd and within the UK government to make the situation better.

For example, in Wales, we do not have stamp duty, but we have the land transaction tax. The Senedd could merge the council tax and the land transaction tax into one, to make a flat tax, a form of proportional property tax.

Like Peter, I think that there is a case for a proportional property tax in Wales; there needs to be a lot more research conducted. I do think, especially in Aberystwyth, it would bring so many benefits to local communities and businesses. It would keep students in Wales and contribute to the economy, helping Wales to progress in the future.

It would help reduce the amount of money that graduates have to pay on their bills. For example, one major problem here in Aberystwyth is that there is a lack of jobs, and lots of students are in their overdraft. So, saving hundreds of pounds a year, that is money that could be used to save on overdraft payments.

As well as that, graduates are often on a low salary, so it would simply help them make ends meet. There are lots of benefits that can come with fairer tax reforms and a property tax.

Will Barber-Taylor: I think you have hit on some really important issues there, Jas. I think that it is one of the great issues for young people, not being able to live in the part of the world that they would prefer to, where they have roots. Tom, how do you think we can best use the tax system to help those young people who want to buy a house, or want to rent a house?

Tom Spencer: The most important role of the tax system should be to stop making housing mobility harder. Currently, stamp duty, and the equivalent in Wales, the Land Transaction Tax, acts as a major disincentive for homebuyers. In England, I believe the tax kicks in at £500,000. The effect is that when people want to move up the housing market, once they are already homeowners, they are in starter houses. It becomes a lot harder to do so. What that means is that the available supply at the bottom never really frees. Even if people get their first home, it is very difficult to move from that to the next one.

The problem is compounded by insufficient housing construction. With limited new supply, the market relies on existing stock, but transaction taxes freeze movement. For example, older homeowners in large properties, such as a five-bedroom house, after children move out. Those people don't need to have a five-bedroom house. I am not saying we confiscate it. But there are major barriers in place for them to downsize to a more appropriate house for their needs, because they are going to sell their house, they have to pay tens of thousands of pounds in stamp duty. Is there really much point if they are seeing such a large cost to downsize, and the money which they will make from downsizing will be a lot less?

Stamp duty means there is no movement in the property market. People cannot move up; people cannot move down. But there are also ways the tax system can incentivise more housing construction.

At the moment, there is very little incentive for people to build more dense homes. For example, if you own a large amount of agricultural land, you do not pay any business rates on that. There is no real tax on your land. You could just leave it there and let it build in value, and as the housing supply becomes more scarce. The tax system could help to fix that by imposing some sort of property tax or, even better, a land value tax to make sure that people use the land they own as productively as possible. The main form of productive use at the moment would be building more housing. The only way we are going to get out of the housing crisis we have now is to build more.

I think that is a little imposition which could make quite a lot of difference in creating a more affordable housing market for young people.

Will Barber-Taylor: Absolutely, we will touch upon how land is used and also ownership to accrue value later. Shreya, what do you think can be done to the taxation system to help younger people get onto the property ladder, either through owning a home or renting?

Shreya Nanda: I fully agree with Tom and the proposals from Jasneet. Reforming stamp duty and taxing undeveloped, permissioned land. But I would also argue that any shift toward a system that better taxes property values or accrued housing gains would be a big improvement for young people.

We have looked at a Proportional Property Tax specifically. We saw that you would see modest house price falls in some of the highest-value parts of the country. More importantly, as a report from WPI showed last year, we would expect a move to a proportional property tax to free up empty or under-occupied housing across the country. So up to 600,000 new homes could be freed up. This would create more space for young people, whether buying or renting.

Currently, over half of owner-occupied homes are underused, with stark disparities in housing space between homeowners and renters, and between older and younger generations. A proportional property tax system would help rebalance this, making the system fairer for young people.

Will Barber-Taylor: Absolutely. I think one of the great issues that often affects younger people, being able to buy in areas where they have grown up and lived in, as second homes. And it is an issue that has been very relevant in the last few years, as people have not been able to live in the places where they grew up, as other people have been buying second homes or holiday homes. So, on this point of second homes, should we use the property tax system to discourage people from owning them? Torrin, if you could start with that.

Torrin Wilkins: I would say the simple answer is yes. I do think that we should start using the tax system effectively to encourage people to sell their second home if they live in it for only part of the year, and especially if they do not live in it at all. Because, of course, it is not really getting lived-in use and is just treated as an asset.

As someone younger, I genuinely think affording my first home is such a distant goal. It is a difficult situation when you are looking at struggling to afford your home, and someone who owns two, three, four, or five homes. They are completely different situations.

In general, I am not opposed to people having a large number of homes. However, in this situation, there is a limited supply and a limited amount of space available where new homes can actually be built. We do have a real problem with building new homes. Limited supply, limited ability to build homes, and getting residents on side takes a huge amount of effort.

It is a difficult situation that younger people find themselves in. A struggling economy, COVID-19 and high house prices make getting on the property ladder unaffordable. This is a huge issue. The National Housing Federation has stated that there are almost eight million people who have some kind of housing need.

There is never going to be one singular solution to the problem. But taxing second homes would help to free up more houses, and then abolishing stamp duty would help people move into those new homes who are on lower wages. Together, that can start to ease the crisis. It starts to use the housing stock that we currently have, far better than we would do otherwise.

It is certainly not a replacement for building new houses, but as part of a wider package, it will help to ease some of that pressure. And it will help to ease the pressure on a lot of local communities. Places like Cornwall have seen these issues. Houses where people only live during the summer season and then travel elsewhere. Those local communities are really struggling as a result of how few people are there all year.

I would say taxing second homes and using that money either to build new houses or to encourage people to move out is a good idea.

Will Barber-Taylor: As you say, it is an issue that is affecting some areas more than others. I know that Wales is one of the nations that is particularly suffering. Peter, do you think we should use a property tax system to discourage people from owning second homes?

Peter Fox: This is a difficult issue, one I feel torn about. As a parent, I see my own children struggling to buy their first home, unable to take that step. To me, it is vital that local people can afford to live in their communities, secure good jobs, and find decent housing. Without this, we risk eroding the very fabric of our society, something I have witnessed firsthand in my constituency, where soaring house prices, driven in part by an ageing population, have forced young people to leave for cheaper areas.

Yet we must also avoid punishing aspiration. If someone desires a second home, we should be careful about controlling what people can or cannot do. That said, there is a clear short-term issue which needs taxation of second homes, particularly in places like Ceredigion, where the pandemic has exacerbated housing pressures. In such areas, higher taxes on second homes may be justified, and some councils, like Gwynedd, are already taking this approach.

But we must tread carefully. Second homeowners often support local economies through spending, tourism, and employment. Demonising them is not the answer. Instead, we should collaborate with them and private landlords to make properties available for short-term rentals.

The long-term solution, however, lies in building more affordable housing. Decades ago, council housing ensured villages thrived with mixed communities. There was a housing plan. Although people may say it is hypocritical with the introduction of the Right to Buy policy, it does not mean we should stop building and creating opportunities. We need a long-term way forward. As Torrin said, revenue from second-home taxes should fund new housing projects. We cannot just tax people to move them away.

A 100% tax hike will not necessarily force sales or free up homes. Real progress requires working constructively with second homeowners, not alienating them. This is a long-term challenge. Short-term fixes may help, but not in the long term.

Will Barber-Taylor: Andrew, the same question: do you think that this is an issue that can be resolved through the property tax system? Can we discourage people from owning second homes through the property tax system or not?

Andrew Dixon: Lots of great questions there. Thank you to Centre Think Tank for organising this fascinating discussion. There have been so many great questions. Just by way of introduction, I am Andrew Dixon, founder of Fairer Share, the campaign to replace stamp duty and council tax with a proportional property tax.

As Tom highlighted, stamp duty stifles mobility, and as Peter noted, council tax is deeply regressive. I am grateful for the cross-party support we have received from Conservative MPs, Labour MPs, and others. I am genuinely excited about the urgent need for reform.

Before addressing your question directly, I would love to explore the politics of reform at some point. While many of us agree on the policy direction, the political challenges are real, and that is where the conversation gets interesting.

To your question. There are roughly 270,000 empty homes in the UK, including 25,000 in Wales. Like Peter, I do not believe we should discourage ownership outright. We are a liberal democracy, and people should be free to invest as they choose. But we can ensure these investments benefit communities, and those local communities can spend it as they choose. This includes schooling, transport and infrastructure.

I believe that if we have almost a half-per cent property tax for principal homeowners, we should have double that rate for second homeowners, which would be almost 1% of the property value. For some people, that might nudge them to sell their property or to pick a smaller house. But if you are fortunate enough to live in a nice house in Tenby or in Cornwall, or in St. Ives, and it costs half a million pounds. I would see no issues with taxing those owners roughly £5,000 a year in council tax. The funds can then be used for the local community and the resources that they need.

So I would not outlaw it, but I would be encouraging and using the tax system for those fortunate enough to own second homes and empty homes to pay their fair share. The same applies to foreign-owned homes as well. Tom Spencer wrote an excellent piece recently discussing this in the media around foreign-owned homes and the importance of ensuring that they are appropriately taxed. I would not outlaw it, I would not necessarily discourage it, but I would definitely be using taxes to ensure that communities are appropriately funded.

Will Barber-Taylor: I think it is a very interesting point that you make on foreign-owned homes; it is something that we may get to in the question and answer session, but it is a very interesting issue relating to property ownership in the UK.

I would like to turn now to a policy proposed by the Labour Party, which is repealing business rates, to be replaced by something else. Shreya, do you think that we should replace business rates or keep the current system?

Shreya Nanda: At the Institute for Public Policy Research (IPPR), we have advocated replacing business rates with a land value tax. Currently, business rates tax both the land and the buildings on it, meaning if a business invests in improving their property, they are penalised with higher taxes. A land value tax, by contrast, taxes only the land value and is growth and investment-friendly.

It would also discourage some speculation on land value, where people holding land and waiting for the prices to go up. It would encourage more building and investment in buildings. It also has implications for regional inequality, so moving from business rates to a Land Value Tax would mean lower tax bills in parts of the country where land values are lower and higher tax bills in places like London, where they are very high.

Based on the analysis, a revenue-neutral rate would start around 4%. To ensure a smooth transition, we recommend incremental implementation.

Will Barber-Taylor: Andrew, what are your thoughts? Do you think that business rates should be replaced, and if so, what should replace them?

Andrew Dixon: I used to work in banking and now work as a venture capitalist, investing in early-stage businesses. I have seen firsthand how business rates stifle entrepreneurship. It is an abominable tax.

I think it is definitely against the enterprise. So many of the young entrepreneurs I set up a business with, I am going through their forecast for the year, and I look at the business rates, and I think, "You have no assets, you have no revenue, you are trying to grow a business, and you pay a real deadweight tax like business rates."

I am a Georgist. I would replace business rates with a Land Value Tax. We released a paper three or four years ago called the "Commercial Landowner Levy", which was the stepping stone to our work before we focused on residential property.

I love Land Value Tax as it would resolve a lot of the issues. Not all of them, but it would certainly go a long way.

There is only a certain amount of land in this country, and not all of it is used productively. We often find cases where businesses actually invest in their property, and they end up increasing their tax bills, which makes no sense.

With all due respect to others on the call today, I do not think the Conservative Party will be up for a Land Value Tax, although it is supported by certain libertarian principles.

I think the Labour Party are making the right noises, and I think Rachel Reeves talked about the inequities of business rates a couple of weeks ago. That gets me excited. What does not get me so excited is that I have not heard any solutions.

I think we have all talked about doing away with business rates, but we have not had any solutions, and I would encourage the Labour frontbench to talk to the likes of the Institute for Public Policy Research (IPPR) and other great thought leaders in this space to make sure that we can bring about change.

I think it is an absolutely shocking tax for entrepreneurs. If we have young students on the call today when they are going up to set up their business, and they are thinking, "Well, I would love to spend a bit of money on R&D or production or hiring new staff," and instead they have to give it to the HMRC in business rates. I just do not get it.

Will Barber-Taylor: It is great to hear from someone who is also an enthusiast of Henry George, someone who I have always found to be a particularly interesting political thinker and someone who has also been perhaps overlooked sometimes in political discussions. Tom, what are your thoughts on business rates? Do you think that they should be replaced, or do you think we should keep the current system?

Tom Spencer: Well, I, too, would call myself a Georgist, so I completely agree with Andrew and Shreya. I think another problem with business rates is that they discriminate massively against businesses depending on their nature. If you have an online-only enterprise and you do not really pay much rent for your building, you are going to end up paying a lot less than a typical high street shop. Although that is not the prime cause of why we have seen a decline of the high street, which I would attribute more to increased competition from online companies, it has made it quite a lot worse.

I would also say it is a very badly designed tax. The tax base is so narrow. You would expect a very efficient tax should not really discriminate between different types of economic activity. That leads market forces to the most efficient outcome. But the problem with business rates is that there are many things you do not have to pay for. For example, if you own a huge amount of agricultural land, that does not have to pay anything. I do not really see a reason why someone who owns a little café or a shop should have to pay this tax when those who own a huge amount of land could be viewed as much more productive reasons do not.

Finally, I think the government made a massive mistake during COVID because, whilst they did try to protect people, many people were stuck paying business rates for offices, which they wanted to keep the lease on, but simply were not using.

With no council's need for that money, the government could have stepped in and provided the funds. The funds were available if they wanted to. But so many businesses across the country were struggling massively and simply being left out of the support which the government was offering because there was just no relaxation.

Your tax should reflect what you have gained. When you are not using these offices because you are in lockdown, it is such a huge cost that people simply should not have to pay.

This is an appalling tax, and the devil will be in the detail of what Labour propose to convert it to. But there are very few things which could be worse, and if you look at their 2017 supposed garden tax proposal, as well as Rachel Reeves' comments on land value tax, I am quite hopeful that we might see quite a good proposal coming out from the Labour Party. Hopefully, they will listen to the Institute for Public Policy Research (IPPR) and introduce some good policies.

Will Barber-Taylor: I would like now to move on to our final set of questions before we get into the Question and Answer session. Stamp duty is a tax on the purchase of land or property, and in Wales, there is a slightly different system, called the land transaction tax. Peter, should we replace either of those taxes?

Peter Fox: Thanks, Will. There have indeed been calls from the Fairer Share campaign to replace stamp duty, or in our case, Land Transaction Tax, as well as council tax, with a Proportional Property Tax. While there is merit in this idea, we must also acknowledge that stamp duty creates inefficiencies in the housing market.

We saw some of the potential impacts of removing transaction taxes during the COVID-19 pandemic with the introduction of the stamp duty holiday. However, this also highlighted the need for careful design in any replacement policy, as unintended consequences can arise. In Wales, for example, this led to a surge in house prices, which ultimately disadvantaged young buyers trying to enter the market. We have to be very careful with how we alter or reform this tax.

From the Welsh Conservatives' perspective, we agree with many of the arguments for reform. We have long viewed stamp duty and Land Transaction Tax as taxes on aspiration. During the 2021 election, we proposed cutting Land Transaction Tax, scrapping it entirely for first-time buyers and raising the threshold to £250,000, to help more families get onto the housing ladder and stimulate market movement. Alongside this, we advocated for policies to boost housing construction, ensuring an increase in both quality homes for purchase and social housing.

It is a complex issue. While the stamp duty holiday helped keep the market moving and prevented a huge fall in prices during the pandemic, it also contributed to significant price inflation. Across Wales and the UK, we saw an estimated 100,000 additional transactions during this period, but at the cost of further pricing out young buyers.

If we are to reform or remove these taxes, we must do so thoughtfully, prioritising policies that genuinely help first-time buyers without distorting the market. The goal should be clear: to make homeownership more accessible while avoiding unintended harm.

Will Barber-Taylor: Andrew, do you think we should get rid of stamp duty or the Land Transaction Tax?

Andrew Dixon: As Peter mentioned, our campaign is focused on replacing council tax and stamp duty or Land Transaction Tax in Wales with a Proportional Property Tax. Stamp duty is a tax on aspiration. Crucially, our proposal is revenue-neutral. The future revenue a Proportional Property Tax would generate would be equivalent to the taxes it replaces.

What drives me is the impact on younger generations, not just first-time buyers, but families moving up the ladder. I am in my fifties, and like most people, I do not live in the same home I bought at 25. Stamp duty actively hinders mobility, not just to get on the housing ladder, but to move up it.

Our core belief is that Property taxation should apply throughout ownership, not just at purchase through stamp duty or sale through capital gains. So for young families, I think it is not just about doing away with it at the beginning, but at all stages. So I am a big believer in paying the tax over the duration of ownership.

As an example, my parents live in Chenies Village in southwest London. Great suburbs, great access to trains, commutes, and schools. They are in their eighties, and they do not need access to any of that, and they have four bedrooms, two of which are empty. They have a huge amount of space that they do not need in an ideal spot for young people to move into, but there is no incentive. If they were to move, they would have to pay one to two years of their living expenses in taxes just to downsize. It is absolutely absurd.

We briefed Sam Rowlands in North Wales. We have also briefed Rebecca Evans, who is the Minister for Finance and Local Government, on the Labour side. There is a desire and interest, and it is great that they are working with other organisations. But I do think that things are ripe for change.

We are looking at the numbers to see if we can do away with Land Transaction Tax and council tax, and instead have a Proportional Property Tax and tax second homes. There are 25,000 empty homes in Wales, which is unacceptable. I do not mind that they are there, but if they are there, they must pay a fair amount of tax.

I think it must go. I find it an absurd tax. There is so much research out there. We saw the benefits of removing stamp duty during the pandemic. So why the Chancellor has not taken this more seriously, I do not know.

Will Barber-Taylor: Shreya, the final question. Do you think that we should get rid of the stamp duty tax and the Land Transaction Tax?

Shreya Nanda: It would be hard to find a policy economists dislike more than stamp duty. As a tax on transactions, it discourages mutually beneficial trades.

It discourages older people in large houses from moving into smaller houses. It frees up housing stock that is desperately needed by people living in cramped accommodation and young people who want to start a family.

It also depresses economic growth. We estimated that you could see up to an additional £3.3 billion a year of economic activity from the additional transactions you would expect to see and the activities around that.

Then, just in terms of the point that Peter made on the risks of seeing house prices go up if we get rid of stamp duty. I completely agree, but the proportional property tax campaign is advocating getting rid of stamp duty, while at the same time reforming council tax and replacing it with a proportional property tax. That could very easily go the other way and see house prices go down if people are now paying higher tax bills.

I think it is very easy to design the policy in such a way that you would not see prices go up when you got rid of stamp duty, and whilst improving the housing market for young people. I do not see that as a concern.

Will Barber-Taylor: Absolutely. Thank you, everyone, for answering all the questions.

We have been discussing housing, and a part of that is living in properties and enjoying their surroundings.

If you were able to live in any historic house anywhere in the world for a month, which historic house would you choose to live in?

Torrin Wilkins: It is a difficult one. I am going to go for probably the Palace of Versailles as I visited it once. I know it is not quite a house, but it would be fascinating to be there during the French Revolution. That would certainly be interesting.

Andrew Dixon: I think, given the shenanigans, there is only one place I would like to have a look and see what is going on, and that would be 10 Downing Street. I think that would be absolutely fascinating right now.

Will Barber-Taylor: I think that is a great answer! Jasneet, what about you?

Jasneet Samrai: I do not know. I have just googled famous houses and tried to find one that appeals. Who knows?

Will Barber-Taylor: Yeah. I mean, think Versailles is a good bet. I think Versailles would certainly be a good bet. Peter, what about you? Any historic house that you could live in for a month?

Peter Fox: I have had a look at Number 10, so I will not go back and have a look at that one. When you get to my age, you want some good heating. I suppose it would be bigger than a house, but Buckingham Palace. It would take me a month to explore all of the rooms in there, and every one would have a fantastic story. So I think Buckingham Palace.

Will Barber-Taylor: That is a terrific choice. Shreya, what about you?

Shreya Nanda: It is a whimsical question. A few years ago, I stayed in a hotel in India that used to be a palace, and it was very beautiful, beautiful furnishings, very breezy, and it had these swings that you could lie on and relax. I think I would live there if I had to live anywhere.

Will Barber-Taylor: Think that sounds wonderful, and finally, Tom, what about you? Any historic house for a month?

Tom Spencer: Mine is a little bit left field, but I have been a tour guide in the summer at Althorp House in Northamptonshire for the past four years now. It was built in 1508. It is a beautiful, homely English estate, home to the Spencer family, not my Spencer family. It is not too luxurious. I think I find somewhere like Versailles a bit intimidating to live in, whereas Althorp, I think, is down-to-earth. It is luxurious, it is beautiful, and I think everyone should come and visit and take a tour.

Will Barber-Taylor: I think that was a wonderful advert for Althorp there, Tom. So we will now move on to the Question and Answer session. So if anybody has any questions, they can either put their hand up to ask their question, or they can type it in the chat. Kayleigh, if you would like to ask your question.

Kayleigh Rousell: Hello. I just thought I would ask something about some of the proposals that were mentioned today. What would be the best way to achieve these reforms? Is this something that borough councils or town councils can approve themselves, or would this be something that has to come from Westminster?

Will Barber-Taylor: Fantastic question. Who would like to have a crack at that question first?

Peter Fox: It is an interesting one. You have got to remember there is always a big lump of politics getting in the way of making important decisions, even though there are often the right decisions that should be made. But they are hampered by politics. I am a past leader. I led Monmouthshire County Council for 13 years, and unless you decide in the first year, and if it is controversial, you are unlikely to get it done.

So it needs to be led by the government.

Will Barber-Taylor: Andrew, if you would like to give your response to that question.

Andrew Dixon: It is a great question. Luckily, Wales and Scotland have devolved powers where they can address some of these issues, which is great. I think it does need to be done on a national scale, whether it be England, Wales, or Scotland, but I also feel that the respect that needs to be paid to local government finance is really important. Getting that right is key.

We have invested quite a lot of time thinking about how these taxes interact with local government finance to make sure that everyone is on the same page. If anyone is curious, I can drop that link into chat.

If we are going to reform council tax, we have to deal with local government finance. There is no way that we can fund social care and adult social care through council taxes. The current system is absurd; things need to change.

Will Barber-Taylor: Great response. Is there anybody else who would like to come in on this question?

Shreya Nanda: I will just quickly add that council tax is controlled by the central government, and the local authorities have to move within the parameters set out for them. So I do not think it is something that local governments could do on their own, but it certainly is something that local and city region politicians could and have been calling for, to be given more powers over property taxation.

Levelling up presents a political opportunity for changes in this space, as Andrew was saying, the funding of social care, the issue of council tax bills increasing and the cost of living crisis.

Will Barber-Taylor: Yep, fantastic. I will move on to our second question, sent in by Taylor. Taylor writes that, "Whilst the Welsh government has limited powers, how can it best use the existing powers to make purchasing a property easier? I think that it would probably be best for Peter to answer that question first."

Peter Fox: I do not know if I have the answer. The Labour government will not listen to me as a backbencher. That said, the government clearly recognises the importance of homeownership and wants to help people with that. It is why we have schemes like Help to Buy and deposit assistance. While the Welsh government has limited powers, funding is unhypothecated, and it can choose how to prioritise funding.

The immediate priority is to build more homes, which is not happening. Current planning laws often block development where it is needed most, instead of trying to socially engineer where housing is going to be built. If we are serious about affordability, we need to look at that.

Will Barber-Taylor: Absolutely. Does anybody else want to come in on that question?

Jasneet Samrai: Part of the solution in Wales is reducing demand for houses as well.

That sounds strange in the context, but an issue we have in Aberystwyth is that people want to move house, but the houses are of poor quality or have mould issues, or issues so bad that people are unable to live in them.

Last year, I raised this with then-Housing Minister Julie James. I said that young renters often fall through the cracks of the landlord reporting system. The conversation we had was that young people are stuck in poor-quality houses within Aberystwyth. They are unable to use the landlord reporting system in Wales as it is very complex, and they do not meet the criteria. There are still houses that are uninhabitable that fall in between the cracks, so people are stuck in bad-quality housing.

Especially with Aberystwyth being a seaside town, mould is a massive issue. Landlords do not keep up with upkeep, so they want to buy their own houses and move into the private sector.

One big issue is that other methods can be used to fix current houses, which will reduce demand and then allow people to purchase more houses that are available.

By just keeping up house upkeep, more houses would be in good condition to sell. So it is a double solution where it is not only just about selling houses in the housing market, but rather also about maintaining the houses that we currently have and making sure that they are in a fit state to stay within the market.

Will Barber-Taylor: That is a great answer, Jas. Does anyone else want to come in on this question?

Torrin Wilkins: Given the Welsh Government's limited powers, it is worth noting that land transaction taxes, the devolved replacement for stamp duty, are one of the few housing policy levers they fully control. A lot of this needs to focus on the Welsh Government to call on Westminster to reform the system, to implement a proportional property tax and to try to work with them where they do have devolved powers. This should not be a situation where Westminster decides that they are going to have a proportional property tax and then it is implemented in Wales. It will have to be done in collaboration with devolved institutions and to ensure that they are on side.

In a lot of cases, they actually hold powers over what used to be stamp duty in Wales. There needs to be a clear plan in Wales to make sure that we factor in devolution to any reforms.

Will Barber-Taylor: Great response there, Torrin. I will now come to a question from Reid. "The big concerns about the proportional property tax seem to be that it could force people out of homes they inherited. But if we make it easy to downsize, does that not just nullify the issue? As people will still have somewhere to live, but without taking up a ridiculous amount of space, they do not need." Andrew, I know you wanted to come in on this question.

Andrew Dixon: You raise an excellent point. Removing stamp duty would absolutely oil the wheels of property transactions, making it easier to downsize if you inherit a large home you do not need, and pocket the difference.

Personally, I view inheritance tax as one of the fairest taxes, but I would still scrap it. At just £5 billion annually, the revenue impact is minimal. The current system forces middle-class kids to rely on the "bank of mum and dad" to get on the property ladder, leaving those from lower-income backgrounds at a permanent disadvantage.

Here is a better approach: Our FairerShare proposal, a 0.48% annual property tax, could be adapted to replace inheritance tax entirely. With property values up 15-20% in recent years, we could either cut the rate below 0.48%, as originally planned, or keep the rate and use the surplus to abolish inheritance tax. That would align with our principle of taxing property throughout ownership, not at death or purchase.

Will Barber-Taylor: Would anybody else like to offer an answer to the question from Reid?

Shreya Nanda: I think this is one of the key concerns with the proportional property tax, alongside the issue of older people who have lived in a house for many years and where the house price has gone up a lot, but their tax bills have not.

Your question gets to the heart of the absurdity of the current system. You have people taking up a large amount of space that they do not need in a market where there is so much pressure and demand for housing.

Something needs to give. Either they need to take up less space, or they need to be okay with more housing being built around them. But at the moment, they do not have any skin in the game, and neither of those things is happening. Something needs to move there.

Will Barber-Taylor: Tom, I know you wanted to come in on this question as well.

Tom Spencer: The key point I want to emphasise is that the Fairer Share model of proportional property tax, detailed in Andrews' linked Local Government Finance paper. Effectively addresses the worst potential downsides of reform.

Yes, some homeowners may face modest increases, but crucially the £1,200 annual cap, £100 per month, limits the impact, and this rise pales in comparison to the soaring council tax hikes many areas, especially London, are already experiencing. The new system is not that bad compared to the alternative that we are experiencing.

Our current system means over 300 people were imprisoned in 2019 alone for council tax arrears. Under a Proportional Property Tax, for those genuinely unable to pay, the system allows deferred payments until you can pay.

This is a much fairer system. It is about creating a system that avoids wasting court time by prosecuting people for being unable to afford their bill. More generally, it makes a better society. Whilst some people will be in the position where they need to downsize, the winners from that small ask is so much larger. It is hard to imagine why anyone would oppose such a clearly improved system.

Will Barber-Taylor: I think that is a great response, Tom. We have got a question from Will Burrows: How can the Tories level up the country if they keep the unfair council tax system? Peter, would you like to respond to that?

Peter Fox: As a Welsh politician, my direct influence is limited, but I fundamentally believe in the Conservative Party's commitment to levelling up across the UK. Any barriers that prevent people from achieving their aspirations need to be addressed.

While not every Conservative policy in England is seen as heading in the right direction, there is a genuine dedication to creating a more equal United Kingdom. My focus, however, must remain on Wales as a Welsh politician, where we face our own unique challenges in creating opportunities.

Andrew Dixon: Let me be frank, we could debate levelling up for hours and whether the Conservatives will actually do it, but the reality is disappointing. Despite cross-party support for our campaign and compelling evidence, progress with the current government has been woeful.

The Levelling Up team under Michael Gove and Neil O'Brien have briefed against our proposals, refused substantive engagement on policy impacts. Levelling up will be around town hall funds, and allocation of infrastructure investment. A tax cut for lower and middle-income families across the UK is not going to happen, which is awful.

I feel very disappointed that we are not going to be able to see the kind of reforms which would help. We have not really addressed the issue.

We have some really good polling figures that endorse and support the need for a proportional property tax. It is politically great, but why bother to share this if they cannot get to grips with the key issues of our reform?

If they only want to get behind it because it helps them win an extra few seats in the Red Wall, that is an issue. You need to be doing policy reform for the right reasons, not just to get re-elected.

I do not want to put too down a perspective on it, but I do not see the Tories genuinely levelling up. Without upsetting one of our guest speakers, I am hoping that we will have a bit more traction with the Labour Front Bench, who I think recognise there is a need for levelling up and are probably in a position to actually deliver it.

Will Barber-Taylor: Well, thank you for that response, Andrew. I am aware that we are running a bit over time, so I think it is now time to wrap up. Thank you to everyone who has come to the event, and everyone who has taken part in the event. I think it has been a fantastic discussion on a very thorny but important issue.

If anyone wants to get in touch or follow the work of the members of the panel, where should they go?

Torrin Wilkins: Having a slightly complicated name, it is fairly easy. Search @TorrinWilkins on any platform.

Jasneet Samrai: Again, I have a very complicated name, so it is @JasneetSamrai. You can also follow @CentreThinkTank for our research.

Tom Spencer: The best place to find me is probably also on Twitter. My username is @TomJackSpencer, but if you are more interested in engaging with my work, do look at @LondonNewLibs on Twitter, because that is where you will see most of my activity.

Peter Fox: You can find me on the Senedd website, but you will find me on Twitter quite a lot at @PeterFox61.

Shreya Nanda: I will just put my Twitter link in the chat, and then you can also sign up for the Institute for Public Policy Research (IPPR) newsletter to hear more about all our amazing work.

Andrew Dixon: I have added a few links to the work Institututthe e for Public Policy Research (IPPR) and WPI have done. You can get hold of me at andrew@fairershare.org.uk, but the best thing you can do is to follow FairerShare on Twitter or X. Email your MP, get in touch with Peter, and try to see if he can help us as well. I really appreciate your questions. It was a really good discussion, and thank you to everyone at the Centre Think Tank.

Will Barber-Taylor: Well, thank you once again to everyone who has come to the event and taken part in the panel. We will be having some more panel events soon. So, go to the Centre Think Tank website to see when those events are announced. Thank you for coming, everyone. We hope to see you next time.

Note: This event has been edited for grammar, clarity, and flow. The original recording is the final and definitive version.

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