A Fairer Property Tax

A practical alternative to replace stamp duty and council tax

Tim Leunig

About Onward

Onward's mission is to develop bold and practical ideas to boost economic opportunity, build national resilience, and strengthen communities across all parts of the United Kingdom.

We are not affiliated to any party but believe in mainstream conservatism. Our vision is to address the needs of the whole country: young and old, urban and rural, for all communities across the UK – particularly places that have too often felt neglected or ignored by Westminster.

We believe in an optimistic conservatism that is truly national – one that recognises the value of markets, supported by a streamlined state that is active not absent. We are unapologetic about standing up to vested interests, putting power closer to people, and supporting the hardworking and aspirational.

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Executive summary

The way Britain taxes households is both impractical and unfair. The stamp duty land tax raises transaction costs, preventing people from moving for new job opportunities, and undermines growth. Council taxes are set in such a way that an average home in Blackpool contributes more to the public purse than a mansion in Kensington. This need not be the case.

This report sets alternatives to the status quo and the rationale for these choices. In some cases, they are based on a clear and overwhelming economic principle. In others, they are a way to try to marry sometimes conflicting ideas and sometimes they are a response to the realities of political consent.

First, the stamp duty land tax should be replaced with a national proportional property tax, levied on house values above £500,000. This rate would be set by central government. An annual rate of 0.54%, with a 0.278% supplement on values over £1m would raise the same amount as stamp duty. The new tax would be payable on owner-occupied property only after a sale - the replacement for stamp duty would not be retrospective on properties on which stamp duty has already been paid. The payment would rise annually by inflation.

Second, council tax should be replaced with a local proportional property tax, levied on house values up to £500,000 with a minimum annual payment of £800. The rate would be set by local authorities. A rate of 0.44% would raise the same amount of revenue as council tax. This would be introduced immediately, on all properties, and would be payable by the owner not the resident.

A proportional property tax has been proposed before. But this report is innovative because it proposes a "horizontal" split in revenues between local and national government, meaning that all of the tax up to a certain value accrues to local government, and all of the tax on the value of the house above that accrues to national government. This is in contrast to previous suggestions, which have opted for a "vertical" split – so that local and national governments would each get a proportion of the revenue, irrespective of the value of the house. A horizontal split better mimics the current distribution of revenue, ensuring a firmer tax base in all areas, while leaving national government, as now, with the more volatile revenue stream it is best placed to accept.

The rates could be estimated in such a way as to ensure revenue neutrality. If this approach were enacted the actual rates would change for two reasons. The amount raised by council tax and particularly stamp duty could change over time, according to local authority financing needs and the vagaries of the housing market. A government might also make different assumptions about what discounts should be available to different groups. There is also a level of modelling detail that only those with access to the full government database can undertake.

Finally, the report sets out some immediate first steps that could be taken as stepping stones towards a fairer system. These include lowering the amount paid on band A and B houses, as well as sorting out the anomalous overfunding of local government in affluent inner city London authorities.

A history of land and property tax

National property taxes

Land taxes in Britain have long relied on outdated property values. The first land tax was introduced in 1692, and continued to be based on rental yields from its year of inception till it was abolished in 1832.[1] It was based on estimated rental yields in 1692, and those values were never changed. The lack of any adjustment mechanism meant that values became increasingly divorced from reality. While inflation averaged just 0.5% in this 140-year period, prices almost doubled, making the tax increasingly absurd.[2]

From 1696, two new land tax supplements were levied on property owners. The first was a two shilling flat rate tax on dwellings, and the famous window tax which applied to all properties with more than ten windows.[3] The window tax worked reasonably well as a progressive tax in the countryside, where properties were generally occupied by a single family. In contrast, city tenements were usually large, and had many windows. Although subdivided and containing many families, they were treated as a single unit and thus liable for the window tax.

The result was inevitable: many landlords bricked over the windows, reducing ventilation and creating health problems for many tenants. Despite the well-understood and genuinely bad consequences of the window tax, it was extended to all properties with seven to nine windows in 1766, before finally being abolished in 1851. Bad taxes can last a long time.

In 1803, another tax on property was introduced as a part of larger reforms to income tax.[4] Under the new "Schedule A", owner occupiers had to pay income tax on the rent they would receive for their house, were they to have rented out their house. Effectively they were their own landlord, and had to pay tax on the rent they were deemed to have received for their property. In exchange, they were allowed to offset various costs, including mortgage interest, against their notional income from renting out their house - in the same way as any other landlord. Schedule A was abolished in 1963 with the wonderfully simple clause "Schedule A shall cease to have effect".[5]

In 1808, the government extended stamp duty - a tax on purchases - to land and property. The tax was also made relative to the value of the land or property being sold.

From the early to mid-1800s, England had a large number of taxes on property. The original land tax was still in place, as was the window tax, and there was also a tax on incomes from property, both on actual and imputed rents received. In addition, stamp duty was payable on the sale and purchase of land or other property.

But as of 2003, the only surviving national property tax was stamp duty, rechristened as "stamp duty land tax".[6] It was initially levied on properties valued at more than £60,000, equivalent to a little over £100,000 today. But the starting point for stamp duty has risen dramatically in real terms, from £106,000 to £250,000, and to £425,000 for first time buyers. Since 2011, rates have risen substantially for the most expensive properties.[7] There are also now supplementary charges for those who buy a second home.

Local property taxes

The Poor Law Act of 1601 instituted a set of local property taxes necessary to raise the funds to pay for poor relief. This replaced a set of older rights to raise taxes for the same purpose, vested in the church. The rates, as they were known, were based on the nominal rental value of a property - that is, how much the owner would expect to receive if they rented the property out commercially. The level was set locally.

Much like national property taxes, local rates also became divorced from property values. The nominal rental values were to be revalued every five years from 1925, but there were only five revaluations, rather than 12, between that Act and the abolition of the rates 65 years later in 1990.[8] At that date, the 1973 valuations were still being used, despite prices having more than quadrupled in that era, and despite a massive rise in property prices in the South relative to the North.[9]

After a brief hiatus for the ill-fated Community Charge, better known as the Poll Tax, England has had the named "council tax". Houses are placed in one of eight bands in England, or nine in Wales. The bands contain very unequal numbers of houses. Band A contains roughly six million houses, B and C five million each, D four million, E two and a half million, F and G a million apiece and H 150,000. This leaves nearly two-thirds of all properties in bands A, B or C, while the top three bands account for fewer than 10% of all properties in England.[10]

Perceptions of property taxes

Popular opinion

Stamp duty is unpopular, but cutting it is not a priority for most people. A survey from Ipsos found that only 23% of people thought that stamp duty was fair, the lowest score of all taxes, joint with inheritance tax.[11] However, the public also did not rank it a priority for cuts. It ranks eighth out of thirteen, far below income tax cuts for people on ordinary incomes, or VAT.[12] Against that, if taxes have to be raised, people do not see stamp duty as the right approach - it is ranked as the eleventh best tax to raise.

People therefore are much more likely to want a cut in income tax on ordinary people than a cut in stamp duty, but they are also a little more likely to want a rise in income tax on ordinary people than a rise in stamp duty. People are also less likely to say that they understand stamp duty than most other taxes, which probably accounts for their inconsistent responses.

There is, in contrast, consistency in people's responses to questions about council tax. People are more confident that they understand council tax than any other, and have clearer views on council tax than any other form of tax except taxes on tobacco and alcohol. Council tax is not well-liked. Council tax is ranked ninth out of thirteen on the proportion who say that it is fair, and second on the proportion who say it is unfair.[13] It is ranked as the second most desirable tax to cut, beaten only by income tax for people on low to middle incomes. For example, the public much prefer a cut in council tax to a cut in fuel duty. Similarly, if taxes have to rise, people do not want it to be council tax that goes up - this is the least popular option, joint with VAT. Although the scores are low for all options, people are 50% more willing to see fuel duty rise than council tax.

Expert opinion

Council tax is strongly disliked by taxation experts, although there is equally strong support for some form of property tax. Issues with council tax are well-established, and many are listed in the 2004 Select Committee Report.[14] The seminal 2011 Mirrlees Review noted that "council tax is regressive for no obvious efficiency-improving reasons".[15] Among other things, it criticised the use of outdated valuations - a criticism that is even stronger now than then. The Institute for Fiscal Studies (IFS) reiterated those points a decade later.[16]

More recently the Resolution Foundation have said that “council tax is a dog’s dinner”[17] and called for its replacement, setting out a variety of options.[18] Others have said the same, including the Institute for Public Policy Research (IPPR).[19] council tax, at least in its present form, has no expert defenders.

The same is true for stamp duty. The Mirrlees review said that “stamp duty land tax, as a transactions tax, is highly inefficient, discouraging mobility and meaning that properties are not held by the people who value them most”.[20] More recently, Tax Policy Associates have said that “stamp duty is a terrible tax”.[21] LSE researchers showed that stamp duty makes life “more difficult for first-time buyers, families seeking larger properties and downsizers, especially in higher-cost areas of the country.” They also note that it “limits labour-market mobility and reduces the consumer expenditure associated with home moves, with knock-on effects for the economy as a whole.”[22]

In a separate report they note that the earlier stamp duty holiday increased transactions considerably, verifying economists’ claims that stamp duty harms mobility.[23] Other LSE authors have come to similar conclusions.[24] Earlier this year the IFS described stamp duty as “among our worst and most damaging taxes.” Onward have already proposed reforms in an earlier paper, as have the Centre for Policy Studies and IPPR.[25]

How to replace stamp duty and council tax

Stamp duty and council tax should be replaced with two annual and ongoing complementary property taxes related to the value of a house. The receipts from the replacement for stamp duty would accrue to national government, while the receipts from the replacement for council tax would go to the local authority (parish, town, district, unitary, county, and mayoral), as per the current system.

There have been many such proposals before. Such proposals generally create a single proportional property tax, which is then divided in a fixed ratio between national and local governments in lieu of the taxes replaced. The assumption is that national and local government would each set a rate, and these would be added together. All houses would be liable for both taxes. This proposal has three issues.

First, it creates a degree of unnecessary and unwarranted complexity. Take Barnsley as an example. At present the residents of Barnsley pay virtually no stamp duty, because houses in Barnsley are mostly below the stamp duty threshold. The replacement of stamp duty with a proportional property tax accruing in part to national government would be major change since it would involve replacing a tax rarely paid in Barnsley with a tax uniformly paid in Barnsley. All other things equal, that would be a big increase in the tax burden on Barnsley.

This opens up three options. The first is simply to accept that outcome, and have a new system that is much less progressive than Stamp duty, with Barnsley residents paying more. The council would set a rate sufficient to replace council tax revenues, and the national rate would be additional. People in the richest areas would correspondingly pay less. That seems like an implausible outcome.

Barnsley local authority sets a lower rate, and has to make large cuts in public services. Given that many local authorities are now so cash strapped that they are declaring the local authority version of bankruptcy that is not going to work.

The third and inevitable outcome is that tax and spend remains at status quo levels in Barnsley. But under the proposed property tax, money would move from Barnsley to Whitehall in line with the division of revenues from the new tax, only for Whitehall to then increase the grant to Barnsley by the same amount. Although it is possible for national government to take money from Barnsley and give it straight back, it is absurd and undermines the case for a proportional property tax.

Second, this proposal would further centralise the UK and its tax system. The quality of local services in Barnsley would be even more at the mercy of national government than now. 51% of Barnsley's spending already comes from central government - increasing that figure would make a mockery of "local" government. Councils such as Barnsley would become, de facto, the delivery arm of national government.

Third, it would lead to an increase in populism. If national government is taking a significant amount of your standing order to your local council for itself, local politicians will be able to claim - truthfully, if misleadingly - that the reason they have increased the local tax rate or provided bad services is that "central government is taking money from us".

A single proportional property tax could produce extreme cases of councils making large transfers to Whitehall. On plausible values for a proportional property tax, Kensington and Chelsea Council would have to give three quarters of their local property tax income to national government. The total tax take would still be the same as now, since stamp duty would no longer exist, but the optics would be very different: the council would have to pay national government. This has never happened in our history, and it would be contentious and resented.

Although these extreme cases are rare, many councils will be writing large cheques to national government each year. It is not hard to imagine "hands off our money" campaigns, and a sense of real grievance in all affluent areas. "Why should a nurse in Guildford have to pay not only for their own bin to be emptied, but also for the bins to be emptied for nurses in Gateshead, even though both people earn the same?"

The Government should therefore introduce two proportional property taxes: a locally tax on house values up to £500,000 and a national property tax on house values above £500,000, with the threshold between the two rising each year by inflation, in tandem. This means that no local authority will have to pay money to central government from “their share”. Equally, central government will raise its share overwhelmingly from areas with high house prices - just as happens with the current stamp duty system.

Capping the local authority tax base at £500,000 also makes the tax base more uniform across local authorities. This proposal, unlike almost all other proportional property tax proposals, does not lead to greater centralisation of UK taxes. This makes councils more equal in their abilities to raise revenue in response to local demands for better services.

How to replace stamp duty

The proposed tax would replace the stamp duty that people pay when they buy a home of their own. It is not designed to replace the higher rate stamp duty payable on second homes, including buy-to-lets. Similarly, the proposal does not aim to replace non resident stamp duty land tax supplement that again exists for a different and separate purpose.

Stamp duty does not apply to properties at all valuations, and that is reflected in this proposal. The proposal is to levy the new charge only on properties valued at £500,000 or more, and only on the portion of value above £500,000. This makes the proposal more progressive than the current system, as those buying a house valued between £250,000 and £500,000 will not only cease to be liable for stamp duty, but will also be exempt from its replacement.

In addition, those buying a house valued only a little above £500,000 will pay only a trivial amount under these proposals, rather than a substantial amount as now. These proposals reduce the proportion of houses that will be liable by around two-thirds, from 63% of the market to 22%.[26] In keeping with the current incidence of stamp duty, there should be a higher rate on properties worth more than £1 million, on that portion of the value that exceeds £1 million.

This proposal should be seen in combination with the proposal for a separate, local proportional property tax to replace council tax. This would be levied on values up to a cap of £500,000 and at rates set by individual local authorities, mayors and others who currently levy a council tax precept. Together, the two proposals create a coherent proportional property tax at all valuations.

As with stamp duty, this levy is strongly related to prices of expensive houses. This means that the fiscal projections will be similar in this regard - when prices rise, revenues rise sharply, and vice versa. This proposal will also give the Government a much more stable revenue stream, since - unlike stamp duty - it will not be dependent on the number of house sales in any one year, particularly when the new system has been in place for a few years.

The tax is a replacement for stamp duty. It will only be applied to houses once they have been sold - with a few exceptions outlined below. This means that there are no losers. Someone who bought their house last year, and paid a substantial sum in stamp duty, will not be asked to pay this tax in addition. But, someone who plans to buy a house next year will pay this tax - but will avoid paying stamp duty. The tax base will largely replicate the tax base for stamp duty.

Social housing

In keeping with current rules, social housing landlords will be exempt from this new tax. This is a sensible approach. If the Government does not do this, either social rents would have to rise (likely significantly in central London), social renting would cease, or the revenues would have to be recycled back to the social landlord. There is no case for massive rises in social rents - which would often translate into higher benefit payments - nor is there evidence that society thinks social housing should no longer exist in central London or any sensible reason for such an approach. The choice therefore is exemption, or recycling of the revenues in a way that simply adds to bureaucracy. Exemption is the best approach.

Owner occupied housing

This policy would apply to owner occupied housing. There are two approaches: the Government could do it immediately for all houses, or for all houses that are sold in future. The former is simpler, and raises the same revenue immediately. Against that argument is the raw politics of levying a new and sometimes substantial tax on people who did not expect it. Stamp duty is already seen as unfair.

It is particularly harsh to levy this new tax on people who have bought their homes recently. Such people will have paid the full stamp duty and would now have to pay its replacement tax. Such a proposal is likely to be unpopular, and the theoretical best should not be made the enemy of the good. For pragmatic political reasons, primary residences owned by individuals should be exempt until the property is sold or ownership is otherwise transferred.

Private rented housing, including company owned "tied" properties

The majority of private rented properties are valued at less than £500,000 and will be exempt from this tax in any case. In contrast to owner occupied property, which will have to be sold from time to time, a buy to let can remain so indefinitely. This means that some buy to lets, including company owned rental properties, might never fall into the new system. That would create a distortion in the buying vs rental markets - owner occupied housing would be subject to this tax, while a comparable rental property would not.[27]

The best approach is to move all buy to let properties to the new system immediately, but not at the full charging rate. Each buy to let would pay at a lower rate, such that all buy to lets pay the same as the average owner occupied house. If, therefore, 10% of the owner-occupied stock had moved to the new regime, buy to lets would pay 10% of the new tax.

Short term holiday lets and holiday homes

The new taxes would apply immediately and in full to those properties let out as a business for short term rentals in the manner of Airbnbs or used as holiday homes.[28] Local authorities would also, as now, be able to set a rate for these homes at up to twice the usual rate.[29]

Shared accommodation

Shared accommodation - such as nursing homes, student halls and so on - will be exempt, on the grounds that each occupant is unlikely to be in possession of more than £500,000 of space.

Calculating the rate

A replacement for stamp duty should aim to raise £9,528 million. Total residential SDLT receipts were £11,720 million in 2022 to 2023.[30] Of this, the 3% Higher Rates on Additional Dwellings (HRAD) supplement on second homes accounts for £2,620 million, while the Non Resident Stamp Duty Land Tax surcharge raised another £280 million. Against that, the first time buyer discount - which would no longer exist - cost £708 million.[31]

Compared with stamp duty, the proposed annual tax defers the payments. This is better for the individual, in that they do not need to pay the full sum upfront, and correspondingly disadvantageous to the government. For that reason, government should raise a higher sum, in lieu of the interest that the buyer can earn, and the Government will pay. We use a 1% real discount rate, in line with broad expectations of GDP growth. In real terms that means the yield will be about £10.9 billion in equilibrium.

Box 1: Method of calculation for the stamp duty replacement

There are 21 million owner-occupied and private rented homes in England and around 4.5 million social houses.[32] To assess the rate for the proposed tax, the number of houses at each price point, by local authority, must be known. For private housing - owned, mortgaged and rented privately - the almost 19 million sales records (up to March 2023) available from the Land Registry are used as a proxy for the total stock. Previous sale prices are uprated by the Office for National Statistics (ONS) house price index specific to the property type and local authority. Valuations for the now relatively small number of houses that have not been sold in the period for which the Land Registry have collected data are allocated a value in line with local values.

Social houses are assigned a value in line with local prices, but with an absolute cap of £750,000 and a local authority cap at the 60% percentile of private values. This method is similar to that applied by the online property websites, the Government would be able to refine this method as the Valuation Office Agency (VOA) and the Ministry of Housing, Communities and Local Government (MHCLG) have additional data on floor area and property condition and of course if this approach were enacted those unhappy with the assigned value could appeal and have their house valued.

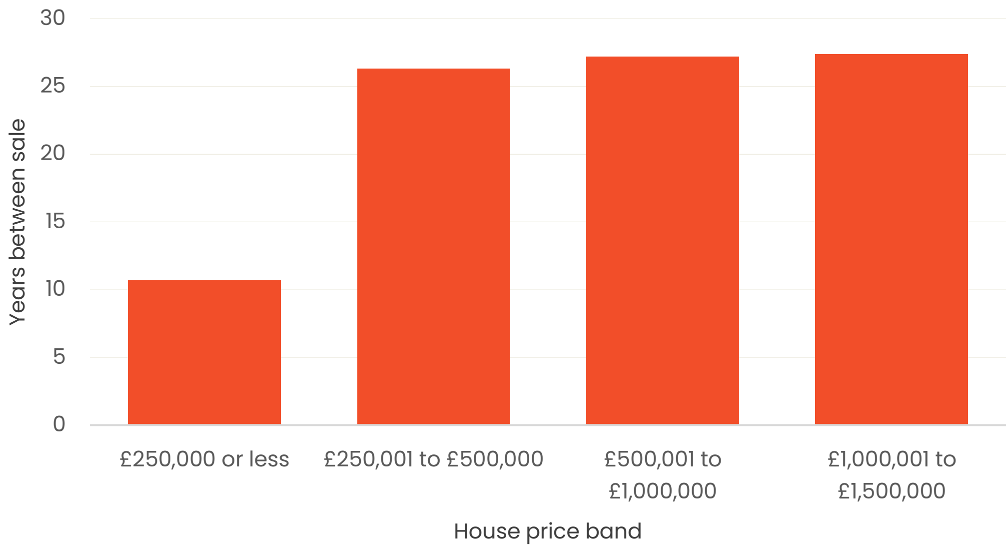
Arithmetically, a rate of 0.54% on values above £500,000 with a 50% uplift for values over £1 million raises £10.9 billion. This is the right approach. Alternatively, a rate of 0.46%, doubled over £1m, or a flat rate of 0.64% will raise the relevant amount.

Effects on the housing market

Stamp duty deters people from moving and leads to an inefficient allocation of housing. For example, young people in the South East buy houses that are too large in order to avoid paying stamp duty more often than they have to. It is no surprise to learn that houses above the stamp duty threshold are less likely to be sold each year. Houses valued at under £250,000 are sold once every 11 years, while more expensive homes are sold once in a generation - every 26 or 27 years.[33] Part of this difference in sale rates will be the type of housing - in some areas the former will be starter homes and the latter family homes, but partly the difference will be the effect of stamp duty acting as a tax on moving.

Figure 1: Years between sale of houses, by house price band

Source: HM Revenue & Customs, Onward analysis[34]



This proposal will liberate houses in the £250,000-£500,000 market. Such houses would no longer be subject to stamp duty and will not be subject to its replacement. This benefits two types of houses: flats in London, and houses in the rest of the country. If a shortfall in house sales is caused by the type of house (family vs starter home) and stamp duty equally, then the rate of sales in the £250,000-£500,000 band would rise from 395,000 to 685,000 a year, a rise of 290,000 homes a year.

This proposal is also supportive of the housing market at lower values. Although these properties pay neither the current tax, nor the proposed one, being able to buy a more expensive house more easily when a buyer wants to trade up will make it more likely that they will be willing to buy a cheaper house now. Making one part of the market more fluid helps all parts.

In the medium term, the market for more expensive properties will also become more fluid. Once a house is on the new system, another sale would lead to any additional tax. Even if these houses sold only 10% more often, that would increase house sales by about 20,000 a year. In the medium term, house sales will likely rise from just over 1 million a year to around 1.3 million. These estimates are very similar to earlier estimates from WPI consulting.[35]

In the short run, however, the position is more ambiguous for higher value homes. The new system is more progressive meaning that the net present value of the new tax exceeds stamp duty for properties above, for example, £600,000. Selling an existing house brings that property into scope of the new tax, and therefore the new tax is a deterrent to sale.

Whether it is a larger or smaller deterrent to sale is also ambiguous. On the one hand, the new tax is larger, so the deterrent is larger. On the other hand, some buyers are cash constrained, and many will have a higher discount rate. They will also know that in the medium term it will become easier to sell the house, making them more willing to buy it. Whether this proposal makes this section of the market (just under one in five houses) more or less liquid in the short term is an empirical question.

The market for homes priced £250,000-£500,000 will immediately become more liquid. This part of the market accounts for 52% of the stock of houses, and represents a major liberalisation of the housing market.

It is also likely that the market for houses priced £500,000 to £600,000 will become more fluid. Although the new tax will apply, the net present value of the new taxation stream will be less than under the current system. Houses in this value band account for another 9% of the market. 25% of the market is unaffected or slightly supported - these are the properties that do not pay stamp duty now and will not be liable for the new tax. Overall, 82% of the market will unambiguously be as, or more, liquid than now.

For the remaining 18%, it is an empirical issue as to how the market will respond since there are arguments in both directions. Basic theory suggests that transaction charges reduce transactions. Replacing a transaction tax with an alternative source of revenue will increase transactions over time. More houses on the market in any given month also increases choice. That also increases willingness to sell, since the ability to buy is enhanced.

Effects on economic growth

A more fluid housing market is good for growth. First, new build rates are determined in part by what is known as the "absorption rate". Not everyone wants to live in a new house. Someone who owns an existing house and wants to move into a new home will find it easier to sell their current home if the market is fluid. A more fluid general housing market therefore increases the rate at which new homes can be built and sold. Such fluidity is good for growth - houses are generally labour intensive, and have a high local content. Houses, unlike cars, cannot be imported.

A more fluid housing market is also good for employment and particularly productivity. People will find it easier to move when offered a better job. Their employment opportunities are wider, if they can move easily. Residential mobility is part of a dynamic economy.

Increasing owner occupation

This proposal would also make owner occupation more common. Assuming people live in their first home, a flat, for five years, if they own their home, stamp duty is payable every five years. If they rent, the landlord might own the flat for 25 years - meaning that even with the buy to let supplement, far more stamp duty will be paid if the flat is owned than rented. In short, stamp duty creates a bias away from owner occupation among the young. Removing that bias will increase the number of young owner occupiers, helping people to get on the property ladder for the first time.

Although there is currently a first time buyer stamp duty discount, it performs less well than abolition. In the case of those who expect their second home to cost less than £425,000, it is better to defer purchasing a starter home, in order to maximise the value of the discount. Nor are all first time buyers eligible - for example, a young person buying a house with someone else who was once a home owner is not eligible for first time buyer relief. In addition, the relief is capped at £425,000, this proposal has no tax until £500,000, and only small amounts for properties a little above that.

Effects on the government budget

This proposal will reduce Government revenues for many years. Properties subject to stamp duty are typically sold only once every generation. Given expensive properties are sold only rarely, if the number of sales does not increase, the replacement for stamp duty would raise just £400 million in the first year. If houses previously affected by stamp duty are now sold every 18 years - a significantly more rapid rate of turnover - the yield rises to £600 million. The yield will grow linearly for the first few years, implying revenues of £2-3 billion after five years, and around £6-9 billion over a parliament. In that same period, stamp duty would be expected to raise about £48 billion in total, leaving a shortfall of around £39-42 billion. This issue is dealt with below.[36]

How to replace council tax

Calculating the rate

The proposed replacement for council tax is very simple: it will be a tax on the property value. It will be paid by the owner, not the resident. The rate will be set by the local council, and the revenues will accrue to the local council. The initial proposal is that this tax applies to all properties. That means that it covers owner occupiers, buy-to-lets, social housing, student houses, vacant properties, AirBnBs etc. The proposal does not include a single person discount, but a government could create such a discount if it wanted to.

The analysis is based on the following assumptions. First, the revenue loss from non-payment will be the same as now. Insofar as the proposed tax will fall on the owner not the occupant, it is likely that the losses would be lower, since the council can place a hold on the property, whereas an individual can abscond, be delinquent etc.

Second, discounts for non-occupation, and single person discounts are ended. The revenue advantage from abolition will be divided between everyone in the form of a lower tax rate, not higher receipts for the local authority. If the Government chose to offer discounts, then the rate of tax on remaining properties would rise, as is effectively the case now. Whether or not these discounts exist makes no difference to the underlying case for reform.

As noted, the local proportional property tax has a value capped at £500,000.

First, without such a cap, the richest areas will have a huge tax base and will be able to set a low rate. In turn, this would mean a variation in the tax *rates* of more than ten to one for each place to raise the same revenue as at present. The public is unlikely to view a tax rate ten times as high in Burnley as in Kensington as fair. Rates that vary inversely with property prices will also undermine the principle that the tax is proportional to house values: that would be true *within* local authorities, but not across the country as a whole.

It would also create "two sides of the street" stories - whereby a house of the same value pays a much higher tax on one side of the street to the other, because they are in different local authorities, with different local tax rates. While the government could sequestrate a large proportion of the revenue and redistribute it, instigating a maximum is a simpler and cheaper to operate, and a politically more sensible approach.

The proposal also involves a minimum charge of £800. This is for two reasons. First, a local property tax is designed to ensure that local services can be provided. Although a pure property tax has many merits, it would mean that those living in the very cheapest properties would pay next to nothing for local services. It is still possible to buy a house for £20,000 in some places, implying a council tax bill of less than £2 a week. It is not viable for a council to collect the bins for that amount, let alone provide adult social care and other vital services. £800 is a reasonable figure, but the Government could set it at a higher or lower level, or the figure could be set locally.

Nor is it obviously fair for people to receive all these services for just £2 a week. The first reason for a minimum is to avoid the perception that some people get "something for (almost) nothing". The second reason is that although grants from central government could be used to compensate councils with high proportions of low value properties, this would leave those councils at the mercy of central government. Local democracy works best when local councils have some degree of fiscal autonomy. The extreme case is Burnley where instituting this minimum raises the local tax base by 30%.

This minimum would also apply to non-standard properties, such as boats, yurts and so on. It could also be applied to non-individual living arrangements, such as nursing homes.

Council tax raised £37,071 million in fiscal 2023-4.[37] We add 2.2% to our target revenue to cover undercollection, in line with current undercollection rates.[38] We therefore estimate that our tax should be calibrated to raise £37,886 million in fiscal year 2023-4, based on a 100% collection rate.

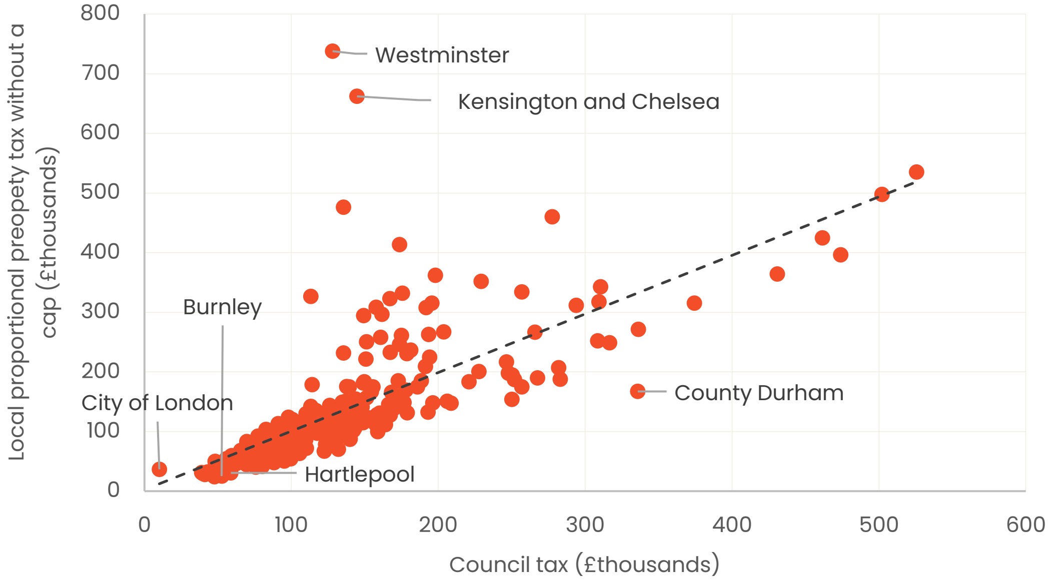
An £800 minimum and a £500,000 valuation cap together imply that a rate of 0.44% raises the relevant amount - this report's central proposal.[39]

Eliminating the minimum £800 would raise the rate to 0.45%. Eliminating the £800 minimum and the £500,000 cap would lower the rate to 0.375%. Maintaining the £800 minimum, while eliminating the £500,000 cap implies a rate of 0.36%.

These different approaches all raise the right amount of money in aggregate, but they do not raise the right amount in each local authority. Figures X and X show the relationship between current revenues and proposed revenues at local authority level, for each alternative. All use the same scale. Any authority above the line is a winner - either they can set a lower tax rate than the national average, or they can spend more than now. (Of course, the government could reduce their grant, or set a negative grant). Any authority below the line would need to set a higher rate, cut services or receive a higher grant from central government.

Figure 2: Simple proportional property tax - no minimum, no cap

Source: Ministry of Housing, Communities and Local Government, Onward analysis[40]



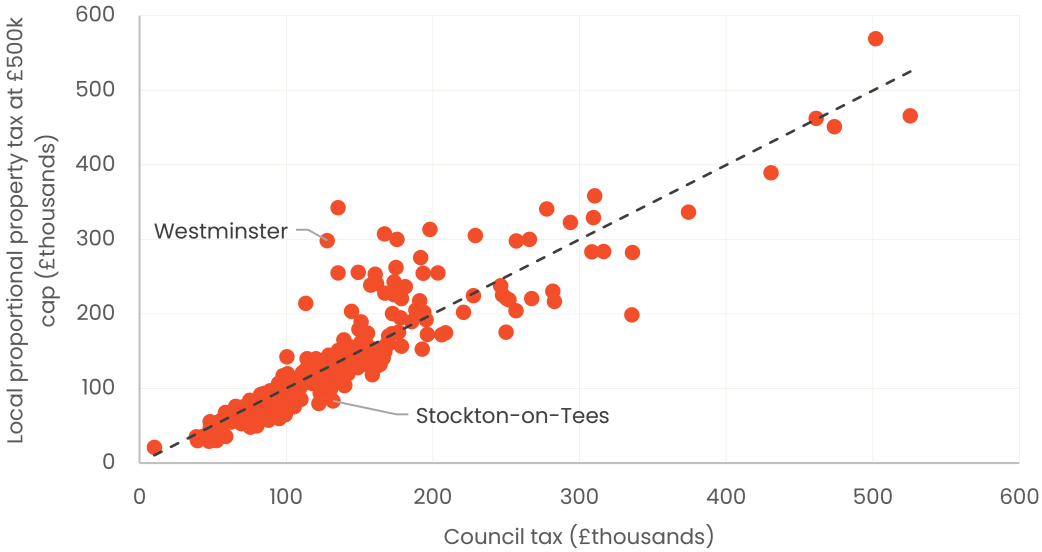
At the top left, Westminster's revenues rise from £128 million to £738 million. This would allow for lavish public services in some of our richest areas. Alternatively, the council could set an exceptionally low rate of tax - 0.08%, about a fifth of the national average. Finally, the government could extract £610 million from Westminster council residents, irrespective of their individual incomes. The next most extreme outlier is Kensington and Chelsea, whose revenues rise more than four-fold, while those in the City of London also rise more than three-fold.

Conversely, three local authorities (Hartlepool, County Durham and Burnley) would each lose a little more than half of their council tax revenues. They would either need to set a tax rate double the national average (0.92%, over ten times the rate in Westminster), or cut local services. The alternative is that national government bails them out with larger transfers. But this would undermine local democracy as councillors would have almost no tax raising powers of their own.

After adding the minimum £800 payment and adding a valuation cap for local tax purposes of £500,000 the results look rather different.

Figure 3: Proportional property tax with minimum and property value cap

Source: Ministry of Housing, Communities and Local Government, Onward analysis [41]



The £500,000 maximum curtails the winners (those above the grey line) while the £800 minimum does the same for the losers. The rank ordering is much the same. Westminster would see its revenue rise from £128 million to £291 million - a large rise for sure, but far less than the £738 million from a pure local proportional property tax. Government is more likely to extract £163 million from Westminster than £610 million, an issue discussed later. It is no longer the case that some local authorities stand to lose more than half their revenues - the biggest loss is 30% in Stockton-on-Tees.

If a "big" change in revenues is arbitrarily but plausibly defined as a rise or fall of more than a quarter, the proportion of local authorities for whom a move to a proportional property tax means a big change falls by two thirds, from 37% to 12%, or from 109 to 36 local authorities. This is important because it makes the change far more manageable. This makes the shift to a new tax more manageable, as only 36 local authorities would see a big change in their taxes. That task would be harder with over 100 significantly affected local authorities.

Practicalities

One of the drawbacks of a proportional property tax has always been that it would be necessary to value every house in the country. By limiting the maximum value for the local property tax to £500,000, and by using sales values above that, this issue is reduced considerably. There would be no need to value houses above £500,000. Rather, they would simply be valued at that amount for the purposes of the local tax. This is particularly advantageous as very expensive houses can be the hardest to value, as they are more esoteric and have fewer obvious comparators. Similarly, the £800 minimum annual payment means that there is no need to value houses that cost less than around £180,000.

Taken together this proposal requires far fewer valuations. Properties in the price range £180,000-£500,000 also tend to be typical houses, of standard types, in standard areas. These are the easiest houses to value algorithmically. Fewer houses to value and more accurate automated valuations means that the valuation process would take much less time. This approach to a proportional property tax could be introduced more rapidly than would otherwise be the case.

Winners and losers

Any revenue neutral change will produce winners and losers at individual and local authority level. It is not possible to give the exact numbers of winners or losers, which will be determined by the extent to which the Government reorganises local government grants. Reorganising local government grants should happen in any case - the formula is already obsolete - but a change of this magnitude would make that more likely, and more likely to be far reaching. It is also unclear how councils would respond to a new system. But the numbers on the basis of all local authorities setting the same national rate can be presented.

Although this could in theory be calculated for every house individually, it is most intuitive to present the results by council tax band, beginning by presenting the winners and losers just from the change from council tax to a local proportional property tax.

Figure 4: Share of winners from replacing council tax, in each council tax band

Source: Onward analysis

Council tax band	A	B	C	D	E	F	G	H
Share of winners	93%	68%	38%	25%	39%	79%	89%	84%

As Figure 4 shows, 93% of people in band A properties gain. These properties tend to have low values - but this is not always the case. In a few cases, their properties are sufficiently valuable that the proportional property tax exceeds their current council tax. The share of winners falls until the middle of the distribution (which is towards the bottom of band C).

The system is more progressive; those whose houses are worth more than average will pay more. Perhaps more surprising is that those with the most valuable houses pay less. That is because the local tax disregards any value over £500,000. It also appears that those in the most expensive houses gain. This is not, in fact, the case, as we will see later.

Once the national proportional property tax is included as well, the picture changes a lot. There will be more losers than winners, because the abolition of stamp duty is disregarded. These figures represent annual winners and losers, not overall winners and losers.

Figure 5: Annual winners from replacing council tax and stamp duty, by council tax band

Source: Onward analysis

Council tax band	A	B	C	D	E	F	G	H
Annual winners	93%	68%	38%	25%	26%	3%	0%	0%

Figure 5 shows how very few people in the top bands will gain. There are still a few - people in high tax areas, whose properties are in high council tax bands, but are not worth that much.

Given that many people live in a house for a long time, the move from the first to second set of figures will take many years. It is not the intention of the proposed policy, nor is it sensible, for owners of high value properties to pay less. A "no win" supplement on higher value houses should therefore be implemented: if a house is worth more than £500,000, is not sold and so is exempt from the replacement for stamp duty, it will be liable for a supplement to ensure that its new tax is not lower than the old. This measure effectively eliminates the high house price winners, and results in the following distribution of short-term winners.

Figure 6: Winners from a local proportional property tax only with supplement

Source: Onward analysis

Council tax band	A	B	C	D	E	F	G	H
Annual winners	93%	68%	38%	25%	27%	9%	1%	0%

This supplement will raise just shy of £1.3 billion a year, falling slightly over time. Since this is in lieu of stamp duty, the revenue would accrue to national government. This means that the combined running yield from replacing tamp duty and from this change would be around £1.7 billion in year one, rising to around £3.3 billion after five years. Cumulatively this would raise around £13 billion over five years, about £35 billion less than stamp duty would raise.

Although this is a cashflow loss for the Government, it is a gain on a net present value basis in that the supplement is in addition to a tax change that is net neutral. Households also win or lose to varying extents. Figures 7 and 8 present the results in the short run - where households are paying the local proportional property tax and the supplement, and in the long run - where they are paying the local proportional property tax plus the national (stamp duty replacing) tax.

Figure 7: Short term - gains and losses in £ per household per year

Source: Onward analysis

Council tax band	A	B	C	D	E	F	G	H
Council tax	1,056	1,252	1,434	1,619	1,990	2,361	2,708	2,969
Short term proportional property tax	854	1,181	1,604	1,901	2,119	2,433	2,773	3,076

Figure 8: Long term - gains and losses in £ per household per year

Source: Onward analysis

Council tax band	A	B	C	D	E	F	G	H
Council tax	1,056	1,252	1,434	1,619	1,990	2,361	2,708	2,969
Long term proportional property tax	854	1,181	1,617	1,987	2,565	3,679	6,680	24,470

Households in band A gain on average about £200, while those in band B gain about £70. These are the overall figures - the £70 is lower than £200 partly because there are more losers in band B than in band A, as well as because the average winner wins less.

At the other extreme, people in band G will see their annual bill rise from around £2,700 to around £6,700, a rise of £4,000 a year, while the small number of people in band H will see their bills rise from £3,000 a year to £24,500. They will see this happen only when they buy a new house - at which point they have made a substantial saving in stamp duty.

Bills over time

There are two approaches to how bills should change over time. The first is that the liability on the house should rise in line each year in line with general inflation or some similar index. This would give a purchaser a degree of certainty. They would know the tax liability when they buy a home.

The second approach is to link the bill to the estimated change in the value of the house that year - probably smoothed over three to five years to avoid wide swings of the sort that occur in local property markets from time to time. This would also mean that houses that were not liable for the national tax might become liable in future, if prices in an area rise.

The second approach has clear appeal to economists. A proportional property tax must be based on current values if it is to remain proportional. Against that, a degree of common sense tells us that there is a political attraction to linking bills over time with inflation. Expecting people to buy a house with no sense of what the tax bill on that house will be over time seems “ambitious”, as they used to say in Yes Minister.

It also seems unlikely to be conducive to wellbeing to have the prospect of large tax rises hanging over people. Although the retired could be offered the right to defer and have the money taken out on death, inheritance tax, and paying for your care from the value of your home, are unpopular. For these practical and pragmatic reasons, the stamp duty replacement tax on any given home should rise with the average of inflation and earnings over time, until the property is resold or transferred, at which point it will be reset to market values.[42]

In both cases there is also the problem of whether home improvements should lead to a rise in tax. In theory inspectors could visit from time to time to assess the state of repair. They could also assess improvements such as ensuite or double glazing installations and increase the annual tax on the homeowner. In practice, most of these changes will have only a trivial effect, improvements such as double glazing are desirable in their own right. A rule that says that any change that does not require planning permission will not alter your property's value for tax purposes is preferable.

What is less clear is what should happen in the case of major extensions. At one level the tax should rise because the house is larger and more valuable. Against that, extensions are currently exempt from stamp duty but liable for VAT. Britain needs more and bigger houses, and discouraging densification through costlier extensions is a bad idea. Given VAT is already levied on extensions, changes made to houses should not change the tax base on which either local or national property taxes are calculated. The tax base would change when the house is sold, of course, as it would then use the newest valuation.

This approach also encourages the restoration of houses in poor condition. A person buying a run-down house and doing it up will pay tax only on the price they paid, not the current valuation.

Interim conclusions

It is possible to structure a move from the current system of council tax and stamp duty to a proportional property tax. This would take the form of a local property tax, set at an average rate of 0.44% of the value of a house up to £500,000 and with a minimum of £800 per household per year can replace council tax. A national property tax, levied at 0.54% of the value of a house between £500,000 and £1 million, and at 0.81% on any portion of the value above that, will replace stamp duty revenues, on a net present value basis.

This approach is the easiest formulation. Taxes will not rise for those who install double glazing or build an extension. Individuals' long term tax will be reasonably predictable, in that a rise in property values will not suddenly leave households with an unexpected tax bill. The hard truth is that the case for a proportional property tax has been made time and again, and has never happened. The proposal offered here aims a little lower from the point of view of an economic purist, but in public policy the best should not be the enemy of the considerably better.

The council tax replacement is much the easier of the two. It is revenue neutral in the short run, and it is a real advantage to only have to value houses between around £180,000 and £500,000.[43] For a start, that reduces the number of houses to be valued from around 25 million to around 16 million. Houses in these price ranges are also typically mainstream, and straightforward to value. This is a reform, therefore, that could certainly happen.

Replacing stamp duty is, in some ways, more important. Transaction taxes deter transactions - in this case people move less often than they would like, or would be sensible. It would be helpful if people could move more easily - to be near new work opportunities, schools, hospitals and so on. It would be good if people could easily move to be near their elderly parents - or for their parents to be able to move near to their children. Replacing council tax with a more sensible system is primarily an issue of distribution, but replacing stamp duty is an issue of serious economic efficiency.

But replacing stamp duty will be challenging as it will result in large revenue losses to Government - approaching £10 billion a year, and running at billions a year, for several years. This might happen if the Government were to be flush with money and committed to tax reform, but neither seems plausible. The only alternative is to present existing homeowners with a new and immediate property tax of more than £1,000 a year. Given that surveys repeatedly show that council tax is one of the least popular taxes in the UK it is not self-evident that a government will want to do that either.

There are, however, interim steps that a government could take.

Moving towards a proportional property tax

There are two reasons to support a proportional property tax. The first is principle, the second is pragmatic. There is a strong principled case for a simple, no-holds barred, proportional property tax.[44] The Mirrlees Review set out this case very well.[45] Without such a tax people have an incentive to consume more housing and less of other things. This is distortionary in and of itself, and it has problematic consequences in a country that is unusually allergic to providing more housing. In particular, if people all try to consume more housing, and housing supply is inelastic, house prices and rents will rise dramatically.

However, there are two limitations to this argument. First, a proportional property tax of the sort of order of magnitude discussed here, particularly one that is revenue neutral in that it is designed to replace two other property taxes, is not going to meaningfully alter the demand for housing, or the price of housing overall. Second, proponents of a non-distortionary tax system would

also want to - for example - place VAT on food, children's clothes, domestic heating and so on. It is possible to make a strong case for each, but as the pasty tax shows, there is a reason why economists rarely win elections, or act like economists when they do.

The second argument for a proportional property tax is pure pragmatism. It is completely fair to ask why someone living in a small property in Blackpool should pay more than someone living in a mansion in Westminster. Not only is the question fair, but there is no good or even tolerable answer.

Council tax

There are two quick and easy changes that the Government could and should make immediately, as first steps towards a local proportional property tax. These changes would make the current system closer to a proportional property tax. That is a good thing in and of itself, but it would also make the next steps to a more complete proportional property tax smaller and thus easier to contemplate and more likely to happen. Both concern council tax rather than stamp duty.

The first step would be to end the overfunding of various councils in affluent areas of inner London, particularly Westminster, Wandsworth and Kensington and Chelsea Councils. Their low council tax rates are not the result of unprecedented efficiency, but rather of an obsolete funding formula that massively overfunds them relative to their needs. That in turn allows them to set a far lower council tax than other local authorities.

Richer areas of the country are typically and rightly less well-funded by central government, to the extent that places like Richmond-upon-Thames, Rutland and Wokingham have to pay for more than 90% of their spending from council tax. Places that are poor are given much larger grants - Hackney, Knowsley and Newham only have to cover a third of their expenditure from Council tax. That does not mean low council tax in these places - rather the scale of need is such that their council tax rates are all reasonably high.

For no good reason, Wandsworth and Westminster are expected to raise a lower proportion in council tax than any other local authority in Britain.[46] Kensington and Chelsea are also in the bottom quarter on that measure, with that authority listed next - but judged to need greater support - than Derby. This is absurd. The Government could and should reduce or eliminate all support for these three councils.

Ideally this change should be as part of a more thorough review, but an interim measure of simply abolishing their grant support would clearly improve the fairness of the system. That would raise council tax by 96% in Kensington, 229% in Wandsworth and 284% in Westminster. Council tax in these areas is so low that this change is not at all extreme - Kensington and Chelsa (including the Mayor of London's precept) would have the highest council tax in the country, but a band D property there would only be paying £371 a year more than is paid in Gateshead. Westminster residents would pay £225 more than their compatriots in Gateshead, while Wandsworth would still be paying £68 less.[47]

Council tax in these places would then be similar to those paid in Rutland, another wealthy part of the country. Following this approach for these three local authorities, as well as similarly anomalous Hammersmith and Fulham and City of London would raise £618 million.[48] This change on its own would be significant. It would mean that it was no longer the case that an ordinary house in Blackpool would pay more in council tax than a mansion in Westminster.

We can and should go further. £618 million is enough money to reduce band A council tax by £100, from an average of £1,056 to one of £956.[49] That would further widen the ratio between how much is paid by someone living in a standard Victorian terrace in Burnley, and a much larger and far more expensive house in the centre of London. 6 million households would benefit from this change.

The Government currently gives local authorities £26 billion under one grant heading or another. If it were willing to withdraw 10% of those sums, all from the wealthiest areas, those areas would have to raise council tax in lieu, and would need to be given permission to do so. This would create a pot of £2.6 billion, including the £618 million from the inner London group. This sum would be sufficient to reduce the average band A council tax to £800, a fall of £256 per household, as well as cutting band B by £150 from £1,252 to £1,102 per household and band C by £50, from £1,434 to £1,384.[50]

These changes would make the system closer to a proportional tax. They would also - like a proportional property tax - favour the North over the South. Around one half of all band A households, for example, would be in the North, with the remainder split almost evenly between the Midlands and poorer - overwhelmingly coastal - communities in the South.

Arguments for another band at the top are pure gesture politics. Band H already accounts for only 0.6% of all houses - around 150,000. There is no point splitting this band. These are the houses that are hardest to value via an algorithm. If after these houses were valued the band was split in half, and council tax were raised by 50% for those in the new higher band. These changes would raise about £110 million a year. That is an exceptionally low amount of money to raise from what would be a controversial and administratively difficult reform.

If owners of expensive properties are to pay more, the Government should simply raise the rate on all band H houses. Moving from 18 ninths of band D, as at present, to (say) 25 ninths would add just under £100 a month to bills, and would raise £175 million a year. Central government would have to extract the money from councils - otherwise the relevant local authorities would just lower the overall rate in their area. Whether it is worth setting up a new legal power to extract money from councils in order to raise £175 million is unclear.

Cutting the tax rates for council tax bands A to C would see almost two thirds of people across the country receive lower bills. This would include 89% of people in Blackpool, 86% in Newcastle and 90% in Liverpool. Nor are winners limited to the North - over 80% of people in Birmingham, Plymouth and Southampton would gain. Many poorer rural places would also gain - Lincolnshire stands out as a big winner.

These changes would be a significant step towards a proportional property tax. Self-evidently, they mean that lower valued houses pay less. The cost of that change would come both from ending the unjustifiable central London anomaly and cutting grants to other well-off places which typically have higher than average house prices. All of these changes would make our property tax system more proportional.

Stamp duty

It is much harder to come up with easy to implement adjustments to stamp duty that do not have large upfront costs. The relative popularity of stamp duty versus an annual tax - an important issue for any politician - is also unclear.

The best first step would be to see a significant rise in the starting point for stamp duty. This would allow Government to test the hypothesis that stamp duty is a significant barrier to people moving house, that it is a significant barrier to owner occupation, and that it reduces national income. Since this proposal is for an annual tax starting at £500,000, raising the entry point for stamp duty to this level would be helpful.

It is also to be hoped - for so many reasons - that Britain builds more houses, and that that moderates house prices. Doing so would also reduce stamp duty receipts, and therefore the corresponding short-term cost of moving from an up front to an annual tax.

Conclusion

Council tax and stamp duty are terrible taxes. Neither meets any of the criteria for a good tax. Both could and should be replaced by a proportional property tax.

Replacing both council tax and stamp duty means that the revenues from a proportional property tax need to be split between national and local government. The best way to do this is for local government to tax property up to a certain value, and national government above that value. The split should be at £500,000.

This approach means that national government can avoid taxing poorer areas, only to return the money to them. It means greater accountability for local councils. It means that local councils have a more secure and reliable tax base, and can better plan ahead. This is reinforced by the recommendation for a £800 minimum bill.

In contrast, national governments revenue will come only when properties are worth more than £500,000. This is similar to stamp duty, and means that national government's revenue will, like now, be drawn from the most affluent areas. Like now, this proposed national property tax will be more volatile than the local element - which is appropriate, as national government is better placed to smooth variations in revenues year on year.

A proportional property tax means much higher tax bills for those in the most expensive properties. This tax will, however, be in lieu of stamp duty. It is inconsistent to apply the new national tax to existing homes, where the owner has already paid stamp duty. That, however, means a short to medium term loss of tax revenues for the Government. At one level this should not matter: the net present value of the two tax systems are the same. That said, accounting practices and economic valuations do not always align.

Changing any tax is always a risk for any government. Losers generally shout louder than winners. The proposals offered here acknowledge the scale of change implied, and include interim steps that would both address the most egregious issues with council tax, and make a proportional property tax easier to introduce. In particular, the Government should cease the massive overfunding of central London by central government. This is what underpins exceptionally low rates of council tax in some of our richest areas.

The Government should then go somewhat further, and reduce grants to other rich areas, in order to raise about £2.6 billion in total. That would allow a reduction in bills for people in council tax bands A, B and C - a majority of all households. This would move the council significantly closer to a proportional property tax system, since these houses are (almost) without exception paying more than their proportional share, and the richest areas which would see council tax bills rise are (almost) without exception paying less than their proportionate share. This interim step could be enacted within a year, since it simply requires a straightforward reordering of the government's support payments to local government.

No concluding paragraph is better than that of John Maynard Keynes. At the end of his *General Theory*, he asked the question "Is the fulfilment of these ideas a visionary hope?" He went on to note that if ideas are correct it would be a mistake to dispute their potency over a period of time. He concluded that "Soon or late, it is ideas, not vested interests, which are dangerous for good or evil." That is true. But as council tax and stamp duty illustrate, the ability of bad ideas to last a very long time should not be underestimated. That is why it is important to suggest plausible interim steps, and to continue to make and refine the case for a better, permanent approach.

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[34] "UK StampTax statistics", *HM Revenue & Customs* (2023).

[35] Williams, M., Matthew, O. and Weir, G., "Taxing Times: A Fairer Deal for Future Generations", *WPI Economics* (2021).
[36] It was noted earlier that this approach would levy a pro-rata charge on buy to let properties. This is revenue neutral, since BTLs that have not been sold recently would pay the pro-rata charge, but so would BTLs that have been sold recently. Otherwise the two categories of BTLs will be treated differently, which would be market distorting. It would also involve imposing the full tax on commercially let out holiday homes and the like. This number is hard to estimate, but ONS interpretation of the census suggests it would be small. "More than 1 in 10 addresses used as holiday homes in some areas of England and Wales", *Census 2021* (2023).
[37] There has been a small amount of local government reorganisation recently. Our analysis uses the 96% of local authorities that have not been reorganised, that is, we exclude Cumberland, Westmorland, Somerset and North Yorkshire. "Live tables on local government finance", *Ministry of Housing, Communities & Local Government* (2024) & "Receipts of Council taxes: England, April to June 2010 to January to March 2024", *Department for Levelling Up, Housing and Communities* (2024). All of the figures here are presented on that basis, and are consistent throughout. Note too that because these are live tables, the numbers are altered in real time. These figures were downloaded on 23 May 2024. Subsequent changes will be small.
[38] Under collection rates are slightly higher, but some additional money is collected late, "Receipts of Council taxes: England, April to June 2010 to January to March 2024", *Department for Levelling Up, Housing and Communities* (2024).
[39] Strictly 0.00407720698769914%.
[40] "Live tables on local government finance", *Ministry of Housing, Communities and Local Government* (2024).
[41] "Live tables on local government finance", *Ministry of Housing, Communities and Local Government* (2024).
[42] Transfers to a spouse in the event of death or divorce would not trigger a revaluation.
[43] Lower value houses will typically be covered by the £800 minimum.
[44] There is no particular reason why the revenues should accrue to local government.
[45] Mirrlees, J. et al., "The Mirrlees Review", *Institute for Fiscal Studies* (2011).
[46] The City of London, which is completely anomalous, is actually lowest. But Wandsworth and Westminster are expected to raise less that Knowsley, Hackney and so on - and lower even than the Isles of Scilly whose operating costs are very high.
[47] City of London and Hammersmith also have anomalously low rates which could usefully be tackled at the same time. The revenue gain from these is included in the calculation above.
[48] "Table 7a: 2024 to 2025 Council tax (average Band D) and percent change on 2023 to 2024: London boroughs, metropolitan districts and unitary authorities", *Department for Levelling Up, Housing and Communities* (2024).
[49] This would require Band A to be 5.43/9ths of Band D. Ugly, but workable.
[50] Band A would then by 4.54 rather than 6 ninths, B would be 6.16 rather than 7 ninths, and C would be 7.72 rather than 8 ninths. There would be £41 million left over.