



HOUSE OF COMMONS

LONDON SW1A 0AA

20th November 2020

New Contract,

RE: PROPORTIONAL PROPERTY TAX PROPOSAL

Thank you for your recent correspondence in respect of council tax reform and the proposal for a proportional property tax; your comments upon which I have read with great interest.

The proposal raises important points about fairness in our tax system. However, as I understand it, a lot of places that are low income areas, but are also experiencing rising house prices, would be hit very hard by a new proportional property tax.

Whilst I recognise we are both interested in the impact on my own constituency of Corby & East Northamptonshire, of which I am proud to serve, I am going to give you an illustration of Tower Hamlets in London, which has one of the worst levels of deprivation in England.

It has the highest percentage of those over 60 years of age experiencing income deprivation. Average house prices in Tower Hamlets – using the three-year average method proposed – have increased from £276,000 to £449,000 between January 2012 and March 2020. Using the proportional property tax multiplier of 0.48 percent, this would have put the average proportional property tax at £1,327 in 2012 and at £2,155 in 2020; an increase of 62 percent in just eight years. Tower Hamlets residents – including those renting – in the lowest 30 percent income bracket could be paying up to, and over, 10 percent of their annual income on this property tax alone, even before paying national insurance contributions and income tax.

In comparison, these are much higher than the council tax rates in Tower Hamlets, which stood at £1,034 in 2012-13 and £1,113 in 2020-21 – a nominal increase of just 7.6 percent over eight years, which is below the rate of inflation.

Another issue to consider is that excessive council tax increases are kept in check by referendum principles, which could not be done under the proposed property tax system. If house prices begin to rise in an area, low income households would quickly see their bills rise at staggering rates, well above increases to their income.

It is also important to keep in mind that people in London are much more likely to rent than own their home outright, compared to elsewhere in England. Average weekly rents are almost double in London compared to the rest of the country, and average rents have increased at a much faster rate than in any other region over the last decade. Even if the new proportional tax was to be paid by property owners rather than tenants, it is highly likely that this would simply be passed back on to tenants in rent increases, as property owners still need to make mortgage payments.



On second homes and vacant homes, 95 percent of second homes are already charged full council tax and vacant homes can be charged double the council tax rate if these are empty for two or more years. Council tax is a valuable source of revenue for local councils and it is important that they have the discretion to raise or lower council tax rates based on the needs in their local area.

Once again, thank you for having taken the time to contact me and if I can ever be of any further assistance to you then please do not hesitate to contact me again.

With best wishes,
Tom

**TOM PURSGLOVE MP
MEMBER OF PARLIAMENT
CORBY & EAST NORTHAMPTONSHIRE**