IPTI Xtracts

Property Tax and Assessment News from Around the World

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Is taxing wealth possible?

Research published by the Resolution Foundation has found that at least £800 billion of wealth is unaccounted for in the official national statistics (which seem to be based on asking people how much they are worth). All this undisclosed wealth is owned by the richest families and the take-home from the research is that the top one per cent of UK households own not 18% of the nation's assets as previously believed, but rather upwards of 23%. These findings provide further grist to the already-turning mill in favour of wealth taxation.

In the UK, taxes on wealth (Inheritance Tax, Capital Gains Tax, the tiny fraction of Council Tax that is related to owner-occupied property value) account for well under one-tenth of Treasury revenue and much of the activity of the tax-avoidance industry is dedicated – on behalf of the richest citizens – to minimising even this small take.

These wealthy citizens have bought allies in many places, including in university economics departments and think tanks. Reasonable, principled arguments are advanced against taxing wealth: it encourages capital flight and discourages saving, both of which inhibit domestic investment and reduce economic growth; valuing certain non-financial assets is next-to-impossible; and as the above-mentioned discrepancy between official figures and reality illustrates, if the richest in society can hide their wealth so easily, how can a wealth tax be fair?

But none of these arguments apply to the single asset-type that, according to the best official figures available, accounts for over half of UK wealth. This is the land underneath us all. Ownership of land, the ultimate source of all wealth, is concentrated in a tiny minority of hands with over half of England owned by less than 1% of its citizens (as well as quite a few non-citizens). Land cannot be spirited away to somewhere it won't be taxed; nor can it be hidden and, even if its true ownership is obscured through a labyrinth of shell companies and off-shore vehicles, it doesn't matter because you know where the tax can be collected and you know what to do if it isn't paid. If a tax has to be paid on land, much of the ”investment” currently siphoned off into property markets will be diverted towards productive economic activity.

And perhaps most importantly, land is easy to value with modern off-the-shelf technology – far easier than property which requires assessment of bricks and mortar as well as the underlying land.

According to Carol Wilcox, Secretary of the Labour Land Campaign, “True, taxing land will only cover half of all wealth but it’s not a bad start.

Above and beyond generating revenue for the Treasury to replace unfair, economically damaging taxes on productive economic activity like Income Tax, National Insurance Contributions and VAT, a sensibly implemented annual Land Value Tax (LVT) will optimise the use of land and thereby ensure better allocation of our most precious resource.”

In this context, “better” might mean forcing speculators to sell their long-empty office buildings in central London to people who will use them; it might mean encouraging all those house-builders sitting on land with planning permission to get on and build those much-needed homes; it might mean attracting businesses to the North-East where land values are low and jobs are scarce; it might mean that bosses can improve work conditions and raise productivity without their Business Rates bill going up; it might mean pressuring the Duke of Buccleuch to open up and repurpose his grouse-shooting moor for use by the community.

When serial crises (first financial, now health) have left behind those who have traditionally borne the burden – workers and consumers – it is time to think about taxing wealth and land wealth is a good place to start.

Retail counts jobs cost of brutal 2020

More than 176,700 retail jobs were lost in 2020 after a brutal year on the high street led to 15,747 shop closures.

The number was almost a quarter higher than jobs lost in the sector in the year before, according to the Centre for Retail Research, which is warning that 2021 could bring further turmoil.

Joshua Bamfield, director at the research body, said that up to 200,000 more jobs could go this year because of lockdowns and plunging store sales.

“Our forecast is based on a number of factors, such as the cumulative effects of months of closure and its impact upon cashflow and rent arrears that will be payable when the moratorium ends,” he said, adding that the acceleration of online shopping would be “hugely damaging for physical stores”.

More than 71,800 jobs were lost when retailers including Debenhams, Oasis, Cath Kidston and Laura Ashley filed for administration, while a further 11,986 jobs were cut when retailers went through company voluntary arrangements, a type of insolvency procedure. CVAs were used by retailers including Monsoon Accessorize, New Look and All Saints to reduce shop costs either by closing outlets or switching to turnover-linked rent while they were suffering a steep drop in shop sales.

The biggest share of job cuts came from solvent retailers “rationalising” their workforces, resulting in a further 92,921 jobs being shed. Marks & Spencer axed 7,000 jobs in August, Boots cut 4,000, John Lewis made 1,500 redundancies and Dixons Carphone lost 3,700 staff after shutting all its Carphone Warehouse stores.

The lockdowns before Christmas, when retailers typically make a fifth of their year’s sales, have raised concerns about how many further corporate casualties there will be this year. Restructuring advisers are warning, too, that some retailers will take the decision to not reopen stores, even when the present restrictions are lifted.

Robert Hayton, head of property tax at Altus, a consultancy, said: “There is a real risk larger non-essential shops may not reopen once Tier 4 restrictions have been lifted, having missed out on vital Christmas trade. Grants of £3,000 a month won’t even scratch the surface of fixed operating costs, such as rent.”

More than one in eight shops failed to reopen after the first lockdown in the spring as some chains took the decision to mothball unprofitable stores.

The business rates holiday is due to finish on March 31, but retailers have urged the government to extend the relief, particularly as it will take until the spring for Covid-19 vaccinations to be fully rolled out and for shopper numbers to start returning to normal levels.

Mr Hayton said: “It is crucial that government ensures future support is targeted to where it is needed, including funding the valuation office so that it can expedite settlement of the tens of thousands of formal challenges against business rates assessments that must now be reduced to reflect the impact of Covid before bills are sent out.”

£800,000,000,000 missing in official data on UK’s wealthiest 1%

Official statistics do not account for at least £800 billion in assets held by the wealthiest 1% of people in the UK, a think tank has claimed. The oversight would mean that the country’s richest few actually own nearly a quarter of UK wealth and that national inequality has been dramatically underestimated.

The UK is already a highly unequal society compared with many nations around the world, but the Resolution Foundation’s new findings would mean 1% of households account for 23% of its wealth, rather than 18%. It says 5% of UK wealth ‘missing’ from Office for National Statistics (ONS) figures ‘conservatively’ amounts to around £800 billion – but could ‘easily’ exceed that figure.

Jack Leslie, an economist with the Foundation, explained: ‘The UK has undergone a wealth boom in recent decades, which has continued even while earnings and incomes have stagnated. But official data has struggled to capture these gains, and misses £800 billion of assets held by the very wealthiest households in Britain.

‘With the country facing a decade of mounting fiscal pressures, now is the time for Britain to do a better job of taxing its record levels of wealth by reforming our capital gains, inheritance and property taxes.’

The Resolution Foundation is now calling for higher taxes on the wealthiest ahead of a ‘decade of mounting fiscal pressure’. Its research merged the official ONS Wealth and Assets Survey (WAS) with data published in the Sunday Times Rich list to create what it sees as a more accurate picture of UK wealth distribution.

Danny Dorling, a world-leading expert on inequality who works at Oxford University, told Metro.co.uk: ‘The more closely researchers look into the wealth of the best-off 1%, the greater the slice of the cake we find they have taken.’ The Resolution Foundation said that even without the £800 billion, ‘wealth across the UK is very unequally distributed – with total wealth inequality around twice as high as income inequality’.

It went on: ‘With the UK entering a decade of mounting fiscal pressures – both due to the cost of the pandemic and an ageing population causing health and welfare spending to rise by £38bn a year by 2030 decade – the Foundation says that wealth taxation will need to play a bigger role in the UK economy over the course of the 2020s.

‘The Foundation is calling on the Chancellor to embark on the biggest reforms to wealth taxation in a generation – including via the restriction of capital gains and inheritance tax reliefs (together raising several billion), and adding a Council Tax Supplement of 1 per cent on properties worth over £2 million (raising over £1 billion).’

A HM Treasury spokesperson told Metro.co.uk: ‘Our priority right now is to support jobs and the economy. ‘By protecting jobs and creating new opportunities through the Kickstart scheme and apprenticeships, we will be able to grow our economy and create wealth when more businesses are able to reopen again. ‘We’re committed to a fair and efficient tax system.’