TheNegotiator

Rachel Reeves eyes controversial Capital Gains Tax raid on main homes

As the Chancellor's search for extra revenue to plug £40bn fiscal hole continues, a CGT raid on property is looking more probable, it is claimed.

Simon Cairnes

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There are reports that Rachel Reeves has drawn up plans to end the Capital Gains Tax (CGT) exemption for high-value primary residences in her Autumn Budget.

According to *The Times*, the exact threshold has yet to be decided, but it is thought that any gains on the sale of a house for over £1.5 million would become subject to the current **CGT** rate of 24% for higher earners and 18% for those on the basic rate.

The Treasury believes it would raise significant extra revenue. Those within the property industry point out that the owners of high-velue homes could instead of paying the tax, choose to stay put, which would freeze the top end of the property market in more expensive areas such as London and the South East, with a knock-on effect all the way down the ladder and reduced Stamp Duty revenue.

It is not clear whether this would be an alternative to or in addition to the proposed tax on the owners of houses which sell for more than £500,000, which was recently reported in The **Neg**.

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Tom Bill, Head of UK Residential Research at Knight Frank, says of the tax: "One key question is when any gains would be calculated from. Based on the last decade, I'd be surprised if there was anything to tax at the top end of the property market, given that prices in prime central London are down 20% over that time.

"A tax that reduced demand further would therefore also affect the prospect of future gains and could be self-defeating.

REDUCED TRANSACTIONS

"If CGT applied from when the property was last bought, it would divide sellers into two groups – those sitting on a gain and those who are not. Anyone with a taxable gain would think twice before selling, which would reduce transaction numbers.

"The government seems to want a predictable flow of revenue that is skewed towards the wealthiest homeowners. That would be best achieved by re-banding council tax rather than introducing transaction taxes that change behaviour in the most discretionary part of the property market to the point they fail to raise what is intended."

> **If this tax is imposed, it would certainly not produce the monies needed immediately for the Exchequer."**

Trevor Abrahmsohn, Glentree International

Trevor Abrahmsohn of Glentree International says: "This has been 'sacred ground' for countless previous governments of all persuasions and always dismissed as being unworkable and de facto, political suicide, particularly amongst the middle classes."

"If this tax is imposed, it would certainly not produce the monies needed immediately for the Exchequer and therefore, would be another imposition, driven by politics of envy, alongside the VAT on schools and the non-dom changes.

Simon Brown, CEO, Landmark Information Group, says; If downsizing becomes less attractive, larger family homes stay off the market and transaction volumes fall. This reduces overall movement in the market upwards and downwards, and not only reduces choice for families and first-time buyers, it also hits the Treasury by shrinking the tax base.

Simon Brown, CEO, Landmark Information Group

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"The real answer is to create a more liquid market. When moving is easier and less costly, households can find the right homes, developers get clearer signals about demand, and the Exchequer collects more through higher volumes of transactions. A faster, more streamlined housing market is better for families, for business, and for the public finances."

> **In essence, this would predominantly be a tax on the most expensive areas of London and the South East."**

Colleen Babcock, Rightmove

Colleen Babcock, Rightmove's property expert, says: "In essence, this would predominantly be a tax on the most expensive areas of London and the South East. The London market is already feeling the effects of taxation more acutely than other parts of England, and this is likely to deter some moves at the upper end.

"While our data shows that only a small proportion of homes for sale are in this price bracket, alongside the proposed stamp duty changes, it could be a double whammy for the capital."