



Chris Heaton-Harris
Member of Parliament for Daventry
House of Commons, London SW1A
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Tel: 020 7219 7048

February 2021

Dear Constituent,

Thank you for contacting me about council tax reform and the proposal for a proportional property tax.

The proposal raises important points about fairness in our tax system. However, as I understand it, evidence about how the proportional property tax would work in England shows that a lot of places that are low income areas but also experiencing rising house prices would be hit very hard, even places with high levels of deprivation and low household incomes. If house prices were to rise in an area, low income households would quickly see their bills rise at staggering rates well above increases to their income.

A good example to use would be Tower Hamlets, which has one of the worst levels of deprivation in England and 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 2012 and 2020. Using the proportional property tax multiplier of 0.48%, this would have put the average proportional property tax at £1,327 in 2012 and at £2,155 in 2020, an increase of 62% in just eight years. Tower Hamlets residents – including those renting – in the lowest 30% income bracket could be paying up to and over 10% 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% over eight years, which is below the rate of inflation. 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.

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 tax bills rise at staggering rates well above increases to their income.

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 on back to tenants in rent increases, as property owners still need to make mortgage payments.



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On second homes and vacant homes, 95% 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.

Thank you again for taking the time to contact me.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Chris'.

CHRIS HEATON-HARRIS MP
MEMBER OF PARLIAMENT FOR DAVENTRY