

# FATAL FLAWS IN

LABOUR'S mansion tax would unfairly penalise the elderly, slow the housing market and trigger a £2billion slump in stamp duty, a damning report reveals.

Ed Miliband has claimed the controversial proposal to impose a levy on homes worth over £2million would raise £1.2billion a year, which could pay for thousands of extra doctors, nurses and midwives.

But the study shows this is 'overly optimistic' and the policy could actually cause a loss in stamp duty receipts of almost £2billion in just six years. This drop could, the report says, be 'even greater than the proceeds' of the new mansion tax - rendering it pointless. Despite



**By Louise Eccles**

PROPERTY CORRESPONDENT

Labour's claims that it would be a tax on the rich, academics said the policy did not 'necessarily target wealth'.

Instead, it would disproportionately hit pensioners and those living in terraced homes in London and the South East, where house prices have soared above inflation over several dec-

ades, according to an independent study by the Centre for Economics and Business Research.

Critics of the tax said the report confirmed the levy would hit ordinary families and those who live in large homes but survive on small pensions or wages.

Last month, Ed Miliband unveiled plans for properties valued between £2million and £3million to pay £3,000 per year and for homes over £3million to pay considerably more.

But the report found that this would force some sellers to drop their asking price below £2million, while others would decide not to move, causing stamp duty receipts to tumble.

Researchers said that in order to raise £1.2billion, homes worth over £3million would have to be billed £24,000 a year on average. The report was commissioned by a new campaign which opposes the punishing tax.

The Fair Home Tax Campaign has gathered 21,000 names on a petition against the tax in only three weeks.

Howard Cox, who also runs the respected Fair Fuel UK campaign with motoring television presenter Quentin Willson, said he was inspired to lobby against the mansion tax when his 86-year-old mother expressed fears she would be hit.

Mr Cox, who commissioned the CEBR study, said: 'This report shows that Labour got their sums wrong.

'It will not make the money it hopes to from the tax, it will depress the housing market and it will drive entrepreneurs away who create employment and pay taxes.

'Labour have suggested a tax which pays no attention to people's ability to pay it and which targets people who have worked hard all their life and invested their savings in property.

'The study suggests their calculations were written on the back of an

## 'Calculated on the back of an envelope'

envelope and not properly thought through.' He said reforming the council tax system would be a fairer way to tax the rich.

CEBR economist Nina Skero, who co-authored the report, said: 'Mansion tax is likely to deter the wealthy from moving or staying in the UK which would result in losses to income tax revenues.' The report found the tax would also 'lead to a sharp decline in house prices at the top end', reducing stamp duty receipts.

In addition, Mr Miliband would fail to raise his target of £1.2billion a year. The CEBR said only £162million a year would be raised from the 54,000 homes worth £2million to £3million.

The remaining £1.04billion would have to be found from the 43,000 homes worth over £3million, an average of £24,000. Miss Skero, who analysed Land Registry data, said: 'It seems unlikely they will be able to enforce a tax payment that high.'

The report claimed 2,000 additional homeowners would be dragged into the tax between 2017 and 2020 because the threshold would not rise with inflation.

The report is the latest blow to Mr Miliband's proposals. Last week singer Myleene Klass criticised the Labour leader during a TV debate and said his tax would hit income-poor 'grannies who have had these houses in their families for a long, long time'.

A poll of 2,000 UK adults, commissioned by Fair Home Tax, found more than half believe the word 'mansion' in Labour's tax proposal is designed to garner media attention while many believe the party is pandering to the 'politics of envy'.

The majority believe the tax would affect mostly detached houses, but CEBR's findings showed 46 per cent would be terraced homes.

Mike Freer, Conservative MP for Finchley and Golders Green, said the report 'shows Labour's tax on family homes is a tax on aspiration'.

'Why work hard and do the right think for your family only to have a penal tax slapped on your home,' he added. Labour says it will introduce a mansion tax 'early in the next Parlia-

**Labour plan will kill house sales, study finds**

**Stamp duty receipts will FALL by £2billion**

**Elderly homeowners will be hardest hit**

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ment' if it wins the General Election in May. The CEBR study assumed it would be introduced in 2016.

A Labour spokesman said: 'We believe this is a fair way to raise much needed revenues to save and transform our NHS and would apply to less than 0.5 per cent of homes.'

'Those in properties worth between £2million and £3million will only pay an extra £250 a month through this new tax - the same as the average top band of council tax.'

He added: 'The Chief Secretary to the Treasury has said that a mansion tax would raise £1.2billion to £1.7billion, based on Treasury analysis.'

Shadow Chancellor Ed Balls has said Labour would 'protect the small minority of people who are asset-rich but cash-poor'. He said: 'Long-standing residents who now find themselves living in high-value homes but do not have an income high enough to pay the higher or top rate of income tax - in other words earn less than £42,000 a year - will be guaranteed the right to defer the charge until the property changes hands.'

The website [www.fairhometax.co.uk](http://www.fairhometax.co.uk) has been launched today and will campaign for a fair tax system in the UK.

Comment - Page 18

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