‘Mansion tax’ reforms create parallel council tax system

Briefings

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CIOT warns that an ‘already complicated’ property tax system will be made more so as the government consults on plans for a new council tax charge on homes in England worth more than £2 million.

CIOT has described the government’s plans for a council tax surcharge on the most expensive homes as ‘complex and confusing’.

The Institute was responding to a government consultation on proposals to introduce a new High Value Council Tax Surcharge (HVCTS) on homes in England.

Under the plans, which were first announced at the Budget last November, owners of homes worth more than £2 million will be charged between £2,500 and £7,500 per year, in addition to their existing council tax liabilities, with the extra money raised going directly to the Treasury.

CIOT has warned that the proposal risks creating unnecessary complexity, as valuations used to determine the surcharge will be based on current market values, while council tax will remain based on 1991 property values.

Leigh Sayliss, chair of CIOT's Property Taxes Committee, described the plans as 'complex and confusing, in an already complicated system of property tax'.

He said: 'We expect there will be valuation challenges and price "bunching", particularly at the "cliff edge" £2 million threshold.'

Sayliss continued: 'There is a further concern that if the thresholds are not reviewed regularly, there will be a gradual creep in the scope of the surcharge as more properties are drawn into the tax by simple inflation in property prices.'

CIOT's response to the consultation can be read here.