

Growing faster – cutting taxes on transactions

The government has developed a bad habit of increasing taxes on transactions. It now penalises people heavily if they buy an expensive new car. It hits anyone investing in rental accommodation for others. It penalises anyone who buys an expensive home or who needs a second home to help with their work or provide for their holidays. High Stamp duties have cut the volume of property transactions, and high VED has helped slash the purchases of new cars.

It is doubtful these tax rises have produced additional revenue. Clearly lower volumes of transactions reduces revenue, though there are some offsetting gains from charging much more on the transactions that survive. There are also hidden tax losses. The property taxes mean less Estate agent and conveyancing income, less turnover for removal firms, less business for builders, decorators and home designers serving the needs of people moving and wishing to adapt their purchase. As car sales fall so there are losses of turnover and profit for car businesses.

The government should review its current transaction taxes and seek to find a level which does less damage to turnover and related activity. Cutting the duties would increase total revenue, and might even increase the revenue from the turnover taxes themselves , given the penal levels some now run at.