



News Release

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Mansion Tax

Liam Bailey, Knight Frank's head of residential research said:

"The announcement by the Liberal Democrats that the party would impose a new tax on the owners of homes worth over £1m offers an interesting solution to the perceived inequality in the UK's taxation system, but raises a number of issues that many would claim are equally unfair.

"Because average housing prices vary so much across the UK it would, in effect, be a tax on where you decide to live with a heavy bias against those residing in London and south-east England. Many London properties worth over £1m are a far cry from what most people would consider a mansion. In some areas they might only be a modest terraced family house or even a flat.

"In addition, a significant number of those owning such houses have been living in them for many years and have not financially benefitted from any increase in value. Indeed, for some older residents the tax could be a real extra financial burden.

"There are also serious issues about how houses would be valued for the purposes of the tax. As the credit crunch has clearly shown house prices are extremely volatile. A property worth £1m last year may be worth significantly less today. The cost of both initial valuations and the resulting appeals would be welcomed by the property industry as a new source of income - but would make serious inroads to the actual tax-take.

"The Lib-Dems might also find the definition of a 'house' less than clear-cut. A house with 20 acres of land bought for £1.1m could easily be seen as two parcels of property - the house valued at under £1m and the balance attributed to the land.

"Although it is easy to brush aside the proposal because it is unlikely to ever be implemented, it will only add to the growing perception held by those living abroad that the UK is becoming a high-tax environment for the successful.

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“Coming on the back of the bungled non-dom levy and the new 50% income tax rate, the sign would be very clear - that the UK is not a location for highly paid or highly motivated people to come to.

“Stamp duty and HIPS already discourage free movement of capital within the housing market and the mobility of the UK’s workforce. The spectre of another property tax is not what an extremely unsettled market needs.”

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Notes to Editors

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