

[A mansion built upon the sand](#) ^[1]

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In the speculation about possible Budget ideas, one of the very worst is the proposal for a mansion tax. Originally favoured by Vince Cable, the proposal has been to tax expensive homes, with homes valued at over £1m initially targeted, and with subsequent proposals suggesting £2m.

The proposal should be a non-starter. Instead of taxing the rich, it would probably tax the elderly. Oligarchs and other rich home-owners are familiar with offshore trusts and company purchases to avoid the stamp duty, and would doubtless find similarly clever ways to escape a Mansion Tax. The widow or the elderly couple who have paid off their mortgage and seen the value of their home rise over a lifetime would be liable for the tax, however. The bureaucracy and costs of collection would diminish any potential yield, so it would become just another token way of punishing 'the rich,' rather than a revenue-raising measure.

A Mansion Tax is also bad law because there is no cash stream for it to tap. Income tax can be paid from earnings, and VAT can be paid when a purchase is made, but there is no transaction or income stream from simple ownership. The government is simply confiscating part of the value of a home every year. It is, in effect, theft by installments.

When France introduced a wealth tax there was an immediate and sustained flight of capital from France. Since wealth left there would gradually be taken from them by government, owners of capital chose instead to keep it in countries that would allow them to keep it. Those countries, including the UK, benefitted, while France lost out. There is no doubt that people would not choose to buy homes in Britain if they knew government was going to confiscate their value over the years.

That the idea was taken seriously, even for a moment, says nothing good about the way Britain approaches the whole topic of taxation. If government wants to levy taxes more efficiently, it should make them so simple and unburdensome that people will find it easier to pay them than to find complicated ways of escaping them.

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