



MEMO TO RISHI (re second home owners)

To: *The Rt Hon Rishi Sunak, MP, Chancellor of The Exchequer, UK*
From: *The Tax Goblin, Zurich*

Dear Rishi

After 10 weeks in the job, I'm sure you've twigged that Ronald Reagan got it right on tax: "*If it moves, tax it*". (Ronnie also added, "*if it keeps moving, regulate it. And if it stops moving, subsidize it*"; those subsidies have left a big hole in your pocket). The fact is that the worst things to tax are those that can move easily (companies, people, residencies, cross-border activities) and the easiest things to tax are those that can't be moved. Property, for example. (Better still, tax property owned by non-voting foreigners.)

This Corona Lockdown has cost the UK government a whole chunk of change, about GBP 300bn. The cupboard's going to be pretty bare for a dose of pre-electoral stimulus in 2023. The Resolution Foundation says that job subsidies could cost GBP 40bn a quarter; that's GBP 160bn a year. But there's a simple solution and it'll come with a cheer from the voters that really matter to you: the working class, pro-Brexit, patriotic northerners you won over to the Tory cause in 2019. They're the ones you need to win the 2024 General Election.

The key is the 2 million owners of UK second homes, worth GBP 1 trillion. They're in the Top 5% by income and wealth, and they've benefitted from the second mortgage, second home boom of the last 30 years. That's one trillion quid to be harvested and it simply can't be moved. OK, wealth tax is unknown in the UK, but people have gotten pretty used to it here on the Continent.

How about a patriotic 5% "special Corona" wealth tax on second homes? That'll earn you about GBP 50bn. Then, as we move towards election time, a second home wealth tax tapering from 5% down to 3%. That'll scoop you another GBP 40bn a year. Legacies from the oldest Baby Boomers will add to this taxable property pile, and you'll be able to grab some Inheritance Tax at 40% on the way through. You can apply the wealth tax retrospectively, to reduce tax dodges like passing title into the kids' names, or incorporating. (The Americans can't do this retrospective taxation thing, as it's prohibited by the US Constitution since the Brits tried it before 1776).

But there's a political dividend too, Rishi. If the wealthy second homers whinge about higher tax, just remind them to rent out their second homes. This will increase competition, a Tory virtue, in a plump rental segment. It'll also please the locals who complain about rich Londoners pushing up house prices, then leaving them empty for half the year. Rented houses need local services; local economies and rental tax revenues all get a shot in the arm. And let's face it, the "Top Five Percenters" owe you one, what with your support for the financial markets. Best of all, it's policy in harmony with the more caring One Nation Conservatism of recent years.

More tax, more economic activity, more fairness, more levelling up, more ecology, more regional votes, less foreign travel. Brexit Britain in a nutshell.

Good Luck
The Tax Goblin