

## Chancellor Osborne hit the buy to let market with tax rises

In the spring budget of 2016 just before the referendum the government decided it wanted to rein in buy to let housing investment. It introduced a 3% extra Stamp Duty on BTL and other second homes, and announced the phased removal of interest relief on purchasing Buy to Let property.

I presume the government is pleased with the results of its tax rises. According to the Investment Mortgage Lenders the £25 bn of net investment in 2015-16 collapsed to just £5 bn the year after the tax rises. This 80% decline has certainly truncated the successful growth in private rented accommodation, and had knock on effects to the workloads of house agents, builders, renovators and removal firms.

I did not quite understand why policy reversed, as it had been policy of both Labour and the Conservatives to encourage a larger private rented sector to complement social rented and ownership. Many people were fed up with the very low interest returns on their savings held in relatively safe bonds or in savings accounts. They decided to do what the Bank and its Quantitative Easing policy was meant to be about, taking more risk with their savings and introducing some borrowing to their investments to make them more worthwhile. This substantial sum did produce some more homes for people to live in, and helped reduce the rate of rent increases people experienced.

It does make another good example for my series showing how higher taxes do have a direct and often profound effect on behaviour. Here is another great illustration of how higher taxes reduce economic output. The government achieved all it could have wanted in the first year of the tax with such a large reduction in Buy to Let. As a result it also lost a range of other tax revenues on the activity which was cancelled.

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## Visit to Baylab

I went to see Baylab, a schools initiative run by Bayer at their Green Park headquarters. The pharmaceutical and agrichemicals business provides up to a day of practical science for schoolchildren and six form students from local schools and Colleges. The participants undertake practical exercises to find out about issues like the role of bees, DNA, enzymes, forensics and cosmetic chemistry. This is a free lab service with workshops geared to the National Curriculum offered to groups from schools.

I thanked the team there for showing me round and for helping encourage young people to study more science and to find it rewarding and interesting.

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## Higher taxes cut car sales as planned

The Treasury has hit diesel car sales hard as the government wished. They have managed to bring the whole new car market down for a year by pushing up taxes in the Spring 2017 budget and leaving open future tax attacks on diesels in particular. People fear further action by national and local government. It was a surprising policy choice given the considerable work past governments put in to getting more car engine manufacture in the UK.

There have been stenuous efforts to blame Brexit and "confidence" but the numbers showed confidence and car purchases soared for nine months after the vote, and then plunged as the taxes came in and car loans were tightened by regulatory action. I blame the taxes.

I guess the Treasury is pleased with its work. It has achieved a big planned reduction in new diesels, despite new diesel cars meeting all the government's own emission standards. It also has the side effect of bringing the UK growth rate down a little to get it closer to the official forecasts.

It probably means the government has collected less revenue overall, as the higher VED will be more than offset by the big fall in tax on new car sales. There is a 20 % tax on new cars, so each sale lost us a big hit on tax revenue. This then means the Treasury scramble around for something else it can impose a higher tax on, which could help slow another part of the economy they do not like. I will highlight some of their other successes in using higher taxes in posts to come.

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## Government Consultation on Unauthorised Development and Encampments

The Government is seeking views on the effectiveness of powers for dealing with unauthorised development and encampments. This consultation asks a series of questions relating to powers for dealing with unauthorised development and encampments, including:

- local authority and police powers
- court processes
- trespass
- planning enforcement

- the provision of authorised sites
- the impacts on the travelling community

The consultation is open to local authorities, police, local residents and community groups. You may register your views at:

<https://www.gov.uk/government/consultations/powers-for-dealing-with-unauthorised-development-and-encampments>

The consultation closes on 15 June.

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## **More car industry investment – thanks to Brexit?**

Nissan, Toyota and Vauxhall have all now announced important investments in the UK post the referendum. We were told the opposite would happen by Remain. During our time in the EU Ford pulled out of making vehicles here and BL collapsed completely.