

NOTES FROM EOCS MEETING WITH HMT, HMRC AND MHCLG AS PART OF CONSULTATION ON RESIDENTIAL PROPERTY DEVELOPER TAX (RPDT), 22 JUNE 2021

On Tuesday 22nd June, we met with HMT, HMRC and MHCLG as part of the consultation on the Residential Property Developer Tax (RPDT), i.e., the proposal to raise £2bn from developers over ten years.

We have been asking MHCLG to arrange a meeting for several months. Despite promises of future meetings, no dates/times have been offered. In light of this, we registered for a meeting through the HMT's policy consultation on the residential property developer's tax.

Please find our requests and HMT/MHCLG responses below.

- The Government needs to collect reliable data so they can understand the extent of the liability and then determine the required tax revenue.
Answer: The MHCLG official disagreed and said MHCLG did not need the data to decide on an appropriate amount of tax.
- The government should collect reliable data and use it to model:
 - Leaseholder solvency, forfeitures and repossessions
 - Bank solvency
 - The wider impact on industry (consumer credit default, related industries)
 - The impact on HMT revenues (reduced stamp duty, reduced NI/VAT/corp tax from related industries).Answer: MHCLG would not commit to this.
- VAT should not be applied to building remediation.
Answer: HMT and MHCLG would not commit to this and did not offer any further discussion on this topic.
- The RPDT should be based on an industry wide polluter pays principle with no £25,000,000 profit threshold. We stressed that many of the developers with the worst building safety records would be exempt from paying this tax under the threshold.
Answer: This was refused. We were told that HMT/MHCLG are not applying a polluter pays principle and are not looking to imply responsibility through this tax. Further, they stated that there was no attempt to apply an economic disincentive to the construction of unsafe buildings through this tax.
- Loans make leaseholders liable despite having no culpability, are a regressive tax, and will impact leaseholders' ability to get credit going forward.
Answer: They said our comments had been registered.
- We requested more clarity on the loans and timing.
Answer: MHCLG said that they could not share info on the loans with us. They further said heads of terms would be provided in stages and a later date, which they would not specify.

- We requested that the Government take into account all building safety costs, not just cladding.
Answer: There was no commitment to do this and MHCLG refused to disclose the type of data they are collecting.
- There should be a meeting with all stakeholders. We have made repeated requests for such a meeting, but this has not happened.
Answer: The Government offered no commitment to arrange such a meeting.

Further Points:

- We stated that they are against loans being forced on leaseholders because:
 - (i) Leaseholders have no culpability for this crisis.
 - (ii) Loans will impact leaseholders creditworthiness and ability to get credit.
 - (iii) Loans are regressive. They impact those who can least afford it the hardest. The lower one's income and property value, the higher the percentage of their income will be lost to loan repayments and the larger the percentage of property value lost.
- MHCLG confirmed that the £5.1bn fund is earmarked for grant funding, not loans.
- HMT stated that the revenue from the RPDT is ringfenced to pay for the remediation package. Our assumption from this statement is that the revenue will be used to reimburse the Building Safety Fund, rather than be earmarked for additional funding.
- The consultation for the Gateway levy will begin this summer.
- We stated that the best method to assure strong housing supply is to find a comprehensive solution to the building safety crisis. This will ensure a strong demand for flats.
- We are filing a comprehensive reply to the HMT consultation paper. When this is submitted, a copy will be made available on our website.