



Labour Land Campaign
www.labourland.org

**Let's examine WHO
really receives the
biggest subsidies in the
UK**

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For how long do we accept a system whereby the poorest subsidise the richest?

This paper sets out to challenge not only the current economic system, with its inefficient and discriminatory tax system, but also to challenge the myth that the poorest people in the UK are the most heavily subsidised and thereby demonstrate that it is the richest owners of our land are the most heavily subsidised.

Familiar problems but also familiar inadequate solutions - The same set of problems face so many people today as they did yesteryear – growing poverty; high levels of unemployment particularly amongst young folk; low wages; homes unaffordable to rent or buy; increasing prices of food and other necessities; high energy bills; overcrowded classrooms; unfair taxes; public service cuts; crime; a growing division between rich and poor and so on.

On top of this, we are now seeing even more hideous situations where public services, including health care, education and prisons, are being run by organisations that are only interested in profits; numerous development sites with planning permission for homes and businesses standing idle for years; blocks of flats sold to rich UK and overseas buyers = sometimes before they are even built - creating a bigger shortage of homes and pushing up the cost of renting or buying a home and a government giving subsidies to “first time buyers” on mortgages up to £600,000 that has resulted in inflating the next property bubble.

We must ask the question if the current economic system works, why did the latest recession hit us? Why didn't economists, politicians, their advisors or academics even see the recent economic downturn coming? Those who argue for an annual Land Value Tax and the few economists who understand the importance of land in the economy did see it coming - and predicted it years ago¹. When they warned politicians, bankers and others of this approaching catastrophe, they were ridiculed and ignored by the 'experts' who, as we now see, based their incorrect decisions on an economic theory that is fundamentally flawed!

¹ See Boom and Bust by Fred Harrison 2005

The never-ending treadmill of economic Booms and Busts - In the UK, we see the repetitive cycle of property booms and busts always followed closely by business booms and busts. We see the gap between rich and poor not only continuing but also widening. We see a growing number of people unable to rent or buy homes in areas they want to live because their incomes are inadequate to do so. We see our schools and hospitals under-funded. We see businesses closing down and jobs disappearing because of the distorted costs of providing goods and services that land speculation causes. We have seen the world banking system crumble because it was based on inflated land values that were due to sheer speculation and without any sound economic foundation. We see numerous two-parent families struggling to survive on two wages let alone the ordeal faced by so many single parents. We see valuable town and city sites left idle, thereby increasing pressure to build in the countryside and on green belt land increasing urban sprawl and long distance commuting – with the resulting waste of valuable time, pollution and accidents. We see our world environment increasingly being destroyed and our natural resources and natural resource wealth being squandered on personal planes, fleets of luxurious cars and over consumption etc by a few.

Today, we see more and more rich overseas speculators (most of whom have already filched their own country's natural resource wealth) joining the UK based ones in buying up properties in major cities in the UK – including Leeds, Liverpool, Manchester, Sheffield and London - knowing that as the economy grows so land prices will increase and they will get a huge unearned return on their 'investment' thanks to the workers and worthwhile investors in our trade and industry. Because their mission in life is to cash in on future land price rises, these non-productive leeches create a further shortage of affordable homes and force up property prices and that mean local folk are being forced to live further and further away from the areas where they want live because they cannot afford the rising rents and home prices.

Land speculation, fuelled by banks deliberately offering unsecured loans to those wanting to cash in on the rising land prices and those who could not possibly pay back their debt, was the underlying cause of the world wide crash that saw numerous families lose their homes, businesses close, banks collapse and the resulting economic crash that affected not only the UK but the US, Europe and other economies. Today we can observe China heading for an identical catastrophe because they too are making millionaires out of exploitation of their natural resource wealth including land wealth.

The ownership of the world's natural resources in itself does not create a single penny's worth of wealth. If the land in Mayfair owned by the current Duke of Westminster was in exactly the same state as it was when 'gifted' by William the Conqueror to Geoffrey de Mandeville (later acquired by the Grosvenor family in 1677 through the marriage of Sir Thomas Grosvenor with Mary Davies who inherited it), its value would be exactly that which it is today because of all the public and private investments that have taken place in London. As land owners, the Grosvenor Estates contribute nothing to the GDP of the UK. It is the result of public and private investments made using land - whether for farming or manufacturing or commerce or building homes or building transport networks or providing public or private goods and services - that gives land its value.

Economic booms and busts are an intrinsic part of our current economic system and will continue to exist until politicians recognise that they allow a minority of the population to own, control and waste the majority of our land and other natural resources. Why allow this minority to receive their enormous unearned income that they take and keep because we don't question their right to "own" the earth's natural resources and keep for themselves the economic return that we all create through our need to use them to survive.

Why do we accept a level of poverty and poverty wages as being the norm? - The level of pay and better working conditions we enjoy in the UK is only because of struggles led by trade unionists, past and present, and political activists. Under our Capitalist system there is the constant friction between the needs of workers and the needs of the capitalist. This gets reflected in our industrial relations, our political parties and trade union membership and other political activities. Today, with the current economic collapse, we observe wages being driven down and people being forced to work for lower and lower wages or starve. Our hard-fought-for benefit system intended to support lower income families and those unable to work for health reasons etc is being steadily dismantled and more and more families are being driven into poverty.

An inbuilt injustice exists in our economy for tenants whether residential or commercial (including farm tenants) - When we experience economic development, the built-in injustice of our economic systems automatically rewards those that own our natural resources and penalises those who do not. In the UK, we have the obscenity whereby tenants (residential and commercial) actually pay a hidden subsidy to freeholders of properties and it goes by unchallenged. For example, why shouldn't a family, who happen to be residential tenants and who pay their share of taxes that will be used to fund the new Crossrail, not also benefit from the increases in land values that will arise as a result of such investment? Why should these families and businesses that pay rent subsidise the landowners that will benefit from this and other public (or private) investments? Why should the banks of the world be allowed to fuel land speculation and make enormous profits at the expense of home-owners, businesses, public services and others that need to borrow in order to buy a property or to invest in their business or even to purchase consumer goods for their own need?

Those who campaign for a fair and just society recognise the problems so many face but they also need to identify key solutions that are needed to enable local and national governments to permanently eradicate poverty and provide good quality public services provided by well paid staff. If we want a fair and sustainable economy where the whole of society has access to affordable homes; has good education and healthcare that is accessible to all and enjoys high quality public services, we need to ensure that our natural resources are used for the good of today's population and also for the benefit of future generations.

For all who are concerned to see fundamental economic changes that result in a fair society that enjoys a sustainable economy we must also address the land issue.

A growing number of politicians and commentators are recognising the economic significance that land and other natural resources play in the economy. These decision-makers and influencers recognise the economic fact that as public and private investments are made so the increased surplus of production that arises as a result, is diverted to landowners for no other reason than they claim ownership of the land that our homes, jobs, public services etc are sited on. This 'Economic Rental Value' of land becomes the unearned income of landowners instead of being returned to the public purse to be used to maintain and develop our public services including transport, education, healthcare and affordable homes.

Sadly, most compassionate politicians readily identify the problems but the solutions they offer do not succeed nor do they get to the root causes of these wrongs. We are distracted from the real causes of the problems with so many simply blaming the bankers; tax avoiders; immigration; older people who keep working after retirement age; outsiders buying properties; benefit scroungers and so on.

Let's consider WHO really subsidises who?

The manner in which the UK's tax system is structured means the poorest people actually subsidise the richest. All taxpayers subsidise tax avoiders and evaders, farmland owners through CAP (the EU's Common Agricultural Policy), freeholders benefitting from the government's Help to Buy schemes and wealthy businesses paying poverty wages; tenants and other non-property owners subsidise land owners and freeholders and we all subsidise land speculators and big land owners now including the super-rich from overseas. Our tax system benefits the richest at the expense of those on low and middle incomes.

Tax avoidance and evasion means a bigger bill for tax payers - When national and local government budgets are set, decisions made are based on anticipated income and expenditure. Because so many individuals and companies avoid paying their taxes, using legal means and exploiting unintended loopholes in the system, and others dodge paying all or any of the taxes they should pay, this means the tax collected locally and nationally is being paid by a much smaller tax base than is fair. In 2013, Government estimates on tax that should be but isn't collected due to illegal activity and mistakes etc is £35bn which is 7% of the tax bill. A report by Tax Research UK, estimated that the tax gap could be as big as £120 billion a year.

Housing Benefits paid to private landlords – A survey undertaken by the trade Union GMB² shows *"taxpayers spent £9.028 billion in the year to end November 2013 to pay rent to private landlords for 1.65 million privately owned dwelling they rent out to households in Great Britain."* They name the top twenty landlords in each of the 318 local authorities out of 380 that replied to them and the list includes some of the same recipients that also collect Common Agricultural Policy subsidies including the Grosvenor Estates (Duke of Westminster); Cadogan Estates; Buckminster Trust Estate; Blackshaw Holdings Ltd; Yattendon Estates. Years of successive government policies of starving councils and other

² <http://www.gmb.org.uk/newsroom/landlords-hit-housing-benefit-jackpot>

providers of 'social housing' of the necessary funding for sufficient affordable rented homes has resulted in a growing number of families forced to rent from private landlords – some of whom are good and responsible landlords but many of whom are not. 'Buy to let' mortgage schemes together with land hoarding, empty homes and idle sites have all fuelled rising land prices thus forcing up market rents. If subsidies currently paid to private landlords, who will naturally charge market rents for their properties, were instead allocated to councils, housing co-operatives and housing associations to enable them to build homes at affordable rents it would be a much better use of public monies. Starving social housing providers but subsidising profit motivated private landlords is another example of how land owners are getting more subsidy from all of us as tax payers. Landlords are entitled to a fair return on renting homes to tenants but under our current tax system, that encourages land speculation, this subsidy actually fuels land price rises even further and that is not a sensible use of our taxes or of our land.

The Common Agricultural Policy (CAP) is mostly a subsidy for big land owners – Economic Union changes being considered to CAP subsidies paid to farmers are because they recognise that the subsidies become capitalised into land value and therefore give unearned income to those farmers who own their land but higher rents to be paid by tenant farmers. CAP subsidies encourage larger land holdings, factory farming, intensive non-organic farming, the destruction of wild life habitats and prevent smaller, organic and new farms from being started. Subsidies paid in 2012 went to the biggest land holders in the UK many of whom, like the Duke of Westminster, are the same families who have "owned" huge tracts of our land for generations and include Sir Richard Sutton's Settled Estates who received £1.4m; the Earl of Plymouth who received £642,808; the Duke of Buccleuch who received £563,092. Anonymised recipients got £3.9m, £3.4m, £2.4 and many got over or near one million pounds. Other big businesses also get these subsidies including Serco Regional Services Ltd that received £1.79m and property developers Frank A Smart & Son who received £2.5m. Interestingly, this company sold 18 building plots and six building properties on one of its farms, bought for £300,000 in 1991, for £1.3m. It made a profit of over £3.1m in 2008, and in March 2009 sold 24 plots of land with planning consent for more than £2.9m.

On 31 December 2013, the FT Property and Mortgages³ publication reported on rising farmland prices that are due to an increased demand for food caused by growing populations. It explains how farmland is considered to be a safe 'investment' because of CAP subsidies and tax benefits that include "exemptions from inheritance tax and capital gains tax under certain circumstances, the ability to offset any losses from the farm against profits made elsewhere, and benefits by way of value added tax". The so-called investment in farmland in the UK is in fact speculation in further rising land values due to population growth and future incomes from CAP and tax avoidance.

We all as tax payers contribute to the CAP but again, it is the big land owners – aristocracy, businesses and individuals – that reap the benefit of this huge subsidy; tenant farmers pay more in their rent because of the CAP subsidies. How can this be just, fair or politically acceptable?

³ <http://www.ft.com/cms/s/0/0246138e-7165-11e3-8f92-00144feabdc0.html#axzz2pWBqSfcG>

The “Housing Ladder” is a myth that penalises tenants and benefits freeholders - Why do we see it as a good thing when property prices rise yet see it as a bad thing when petrol prices go up or fuel bills rocket or food prices rise or the price of consumer goods increase? How can we be happy that the cost of a home to buy or rent soars thus excluding many from being able to rent or buy in or near the area they wish or need to live? The media and politicians regularly talk about our desire to get on the ‘housing ladder’ when what they are really saying is that people, who are already struggling financially, are in fact trying to get on the ‘land speculators roller-coaster’ of property booms and slumps.

It is **NOT** the house or flat that increases in value – it is the **cost of the land** on which the building is located that rises. Like other manufactured goods, buildings deteriorate and need to be maintained. It is only the land (or location) value that increases when we “celebrate” property price increases and that land value is created because of our combined demand for land for homes; for jobs; for public services; for leisure activities and so on.

Land costs us nothing to create - Land is different to manufactured goods; it is a product of nature that is provided free - at no cost - and is in fixed supply. However, when new investments in our public system are announced normally land values in the areas affected will increase and this can be observed when Crossrail and the London Underground Jubilee Line extension were announced and when other good major public transport improvements have been announced. The cost of business premises located within access of good public transport networks demand a higher rent than those located elsewhere because of the benefit the business receives from that public investment – workers can easily get to work from a wide catchment area; customers can get to the location easily to purchase goods and services and by locating close together businesses benefit from the economies of agglomeration. Taxpayers and users pay for the public transport but it is land owners who gain from the increased rents they can demand from business tenants. Similarly, the rental or purchase prices of properties located close to parks, schools, health care, places of natural beauty all reflect the location value that has been created by all of society and nature and not from the act of “owning” land.

The wealth gap not only continues but it grows – In 2008/10 the wealthiest tenth of households owned more than 40% of overall wealth and were over 850 times wealthier than the least wealthy tenth of households⁴. 1% of the population own 70% of our land⁵. In its document published in February 2013, the GLA identified that “In Great Britain, the richest ten per cent of the population own nearly 45 per cent of the country’s total private household wealth, whereas at the other end of the spectrum, half of the population own less than ten per cent of the household wealth between them.”

Quite rightly much is said about the growing inequality between the richest 10% in society and the poorest 10%, however, one of the reasons for this inequality is not addressed. Most people on low incomes are tenants or live with family or friends or are homeless; yet all tenants (residential and commercial) and other non-property owners in fact subsidise the

⁴ Office of National Statistics ‘South East has biggest share of the wealthiest households’ December 2012

⁵ Kevin Cahill ‘Who Owns Britain’

richest land owners of the UK as well as all other big and small commercial and residential freeholders. To tackle low incomes, poverty and this terrible economic and social inequality that persists in the UK, we first need to tackle one of the most fundamental causes of this disparity.

Just one of the richest people that the poorest of us subsidise - The Duke of Westminster holds land valued at £6bn. He did not create that land value – the value of his huge urban and farm landholdings arises from their location value which is dependent upon natural factors and all of our activities – soil fertility; services both public and private such as transport, clean streets, or shops; population size; views of rivers or access to public parks etc and from subsidies he receives from the Common Agricultural Policy (CAP) grants he receives every year - £645,456 in 2012.

Of course, the Duke of Westminster did not create the land he holds nor did he even buy it – he inherited most of it. His ancestors acquired his estates through gift from William the Conqueror, through marriage and through theft via the enclosures.

He filches the land wealth that we all create and gets this unearned “gift” we have endowed on him and his family without any effort on his part.

How is it right that the poorest in society subsidise the richest? Why don't politicians or the media look at who really receives the biggest subsidies in our society?

Tax the rich yes but tinkering with existing taxes doesn't work

We are conditioned to accept the present system of taxation on incomes as being the best one to provide good public services and a system of adequate financial support for those who, for whatever reason, are not able to get an income through paid employment. The “left” call for greater taxation of the rich, ignoring the fact that, apart from them negotiating extra high salaries to cover their income tax and national insurance contributions, the rich are best able to take expensive measures such as overseas residence and creating off-shore companies, requiring clever accountants and lawyers to avoid and even evade our taxes whilst poorer taxpayers are left behind to pick up the bill. If the highest rate of income tax were increased to 99% then those highest salaries would negotiate even higher salaries to pay the higher tax bill which means goods and services will increase meaning we, as consumers, will subsidise those richest wage earners even more than we do at present.

Many corporations pay little or no taxes in any of the countries where they operate by any means possible, for example by setting up subsidiaries and using hideous tax laws in different countries.

It is only recently that local authorities charge a full Council Tax levy on second homes and empty homes. Property owners deliberately make commercial premises uninhabitable by smashing roofs etc thereby avoiding paying Business Rates.

If there are opportunities to avoid or evade paying taxes, there are individuals and businesses that will do so.

Instead of tinkering with the current unfair, inadequate, avoidable and unsustainable tax system, this article argues that we need to think afresh about how the economy works, how human-made and natural wealth are created, owned and controlled and what are the flaws in the current system that mean we have, in varying degrees, constant poverty, hardship, inadequate rewards for work, suffering, inequality and economic, and therefore social, injustice in the UK and in all other countries of the world.

We still fight over the crumbs that fall off the table instead of demanding changes that will result in us all sharing what is on the table – it is time to look at the problems facing us all and seek a permanent solution to their causes.

The Economics behind why we need a change to what is taxed

In order to produce all goods and services, we not only need land and natural resources but also workers and relevant equipment or tools whether it is for building a home, mining for oil, growing food, making consumer goods, delivering food to shops, running a bank, providing medical care, educating our children, providing transport and other public services or leisure activities.

Of the three factors of production – labour, capital and land (land is the economic term used for all natural resources) – the UK tax system purposely taxes labour and capital despite the many opportunities to avoid and evade paying them. However, land as such is not taxed.

Just to clarify a few terms - The word “capital” has many meanings in the English language usually associated with money, bank deposits, investments etc. These are not “capital” in the economic sense. Wealth is created by human labour (mental and physical) being applied to land and other natural resources. Most wealth is used to satisfy our immediate needs but capital is created when we set-aside some wealth in order to produce more wealth. So for example, the plumber’s tools are capital; machinery, trains, roads, business buildings (factories, shops, warehouses, offices etc), computers etc are all capital when being used to create more wealth. So land, which is not created by human labour, cannot be capital. The returns to capital are interest paid on loans and profit paid to the business investor.

Labour means any form of physical and mental effort by humans employed in the production and delivery of goods and services and the return to labour is wages.

In economic speak, land includes all natural resources including land itself whether it is used for farming, leisure, transport, homes or commerce and the return to land is economic rent.

The ‘economic rent of land’ is the surplus income generated from a site after the costs of production are paid, that is payments for wage, interest on loans, taxes and a reasonable

return on the investment. The selling price of land averages around twenty times the economic annual rental value. Elements of the economic rent of land are collected through property taxes and some will argue that all taxes come from the surplus but those arguments are for another discussion. Land is of a fixed supply and land owners will always charge the highest amount of rent possible for the use of their land and premises and that is why any form of subsidy or grant will always capitalise into land value after a period of time.

- ❖ The **demand** for any site depends on the permitted activities any individual, organisation or business is carrying out or is planning to carry out in an area.
- ❖ The **value** of a particular site will depend on its location; neighbouring services and facilities, its permitted or intended use and its usefulness to the current or potential user in carrying out their business.
- ❖ The **economic rent** of a site (or use of another natural resource) is the surplus income generated from the use of that site in producing goods and services after the costs of labour and capital and a normal profit have been paid.
- ❖ The **price** a site is sold or leased for is the lowest price the owner is prepared to sell or lease the site for and the highest price a user is prepared to pay for the exclusive use of that site and it may be in the form of a rent or a lease (with or without rent renewals) or a freehold. (nb we are only concerned with the site value and not the building value of a property. Buildings require regular repair and maintenance and like a second-hand car usually depreciate over time.)
- ❖ **Speculation** that land prices will rise is what forces up the price of a site above its true economic value creating a 'bubble' that will eventually burst creating havoc for so many households and businesses in its wake.

The greater the surplus income that is generated by labour and capital so the greater the amount of unearned income is filched by those claiming ownership of land and other natural resources. Clear evidence of this law of economics is observed throughout history and throughout every economy in the world.

Land and Natural Resources are not "Capital". The first flaw in modern (neo-classical) economic teaching is to describe natural resources as being a part of capital and not a separate entity with specific features that humans cannot replicate. Land, air, minerals, oil, water, the spectrum, airwaves, the sea, sunshine, the laws of nature and so on - are all gifts of nature – we need them, we harness them, we use them and unlike capital they are essential for our very existence.

Natural resources are not created by humans. Land owners do not produce the land we require for our farms or our towns and cities; mining companies do not produce the minerals in the ground; oil companies do not deposit the crude oil or gas below the surface of our planet; mobile phone companies did not invent the spectrum; airline companies do not create time and space on which airport landing slots depend; farmers do not make farmland.

Not one of us has created land or natural resources and yet we allow a few privileged individuals and companies to benefit financially from our need to use these free gifts of nature.

So, who should own Natural Resources - as we all depend on the use of the world's natural resources in providing us with our homes, our food, our clothes, our consumables etc, why do we allow a tiny fraction of the world's population to own the economic wealth that nature has provided for all of us to enjoy rather than share the economic benefit we all gain from their use? It is not simply owning a natural resource that gives power to a few, it is the unearned income they take as theirs that gives them such a huge and unfair privilege and advantage over most of the population.

By accepting the premise that a minority of the UK's and of the world's population have a natural right to take 'ownership' of our natural resources and the economic benefits they generate, we are accepting an economic system that can only ever be one where inequality, unemployment, inadequate housing and poverty are the norm.

Land speculation is a root cause of economic instability and poverty

The **supply** of land is finite. So, when we see a site deliberately kept out of use, it effectively reduces the supply of land available to those wanting and able to use it. We don't have to look far to see derelict offices, or factories or houses or waste land that usually have hoardings and rubbish dumping and rats and raves and graffiti and fires and drug-trading being the only activities taking place on them. These sites are kept out of use for a reason. Either the owner is inefficient or they are waiting for the maximum return they can get by selling these sites at a higher price to a speculator or developer. These unused sites are an asset that the owner will borrow against for another financial venture, until they are ready to give their permission for the site to be brought into use. The pressure by developers and others to have new homes built on greenfield sites in the countryside is encouraging urban sprawl and more long distance commuting. Such a policy means increasing car use with all that entails in terms of pollution, road injuries and deaths.

Allowing the unused and underused sites that exist in all towns and cities to remain unused and underused encourages the misuse of our natural resources and add to the problems of global warming and pollution of our planet. In 2010, there were over 190,000 acres of unused land in England and Scotland that had been developed previously but which lay idle because of speculation in rising land prices by the owners⁶, many sites laying idle for decades whilst people need affordable homes and business premises.

We need a fairer tax system that does not penalise workers and savers

The wider labour movement may differ in their political views but could be united on one common principle – **that the economic rent of land and all other natural resources should be collected** and used to replace some or all of the negative taxes that deny workers the full

⁶ <https://www.gov.uk/government/statistical-data-sets/live-tables-on-land-use-change-statistics>

return on their labour and which distort the spending power of us all as consumers or providers of all goods and services.

The arguments below focus on land wealth - how it is created, who collects it, how it is collected and examines its effect on the economy. However, the same arguments apply to all other natural resources including oil, minerals, airwaves, the spectrum, water, solar and wind power and so on.

Why do we accept a bad system as being OK? – Once, land was shared by all and owned by no one; this changed over time and after 1066 William the Conqueror became the sole owner of land leasing out parcels of land to his supporters in return for providing armies when required and other dues. Today, the descendants of these Barons still hold that land though without any financial or other obligation to the Crown or the Treasury – taxation was shifted off land and on to production and wages.

Because we have accepted the historical theft of our natural resources, we have also accepted a terrible injustice whereby the surplus wealth - which we all create through our work, economic and social actions and decision-making – goes, without question, to landowners. This means that no matter how much we increase our economic output, landowners will always take the surplus wealth we all create and wages for labour are kept low.

- ❖ Why do we allow this hideous and immoral situation to continue?
- ❖ Why don't economists, academics or politicians correct this injustice?
- ❖ Can we do anything to stop this theft of the wealth we all create from going to a few simply because they lay claim to part of the surface of the planet?
- ❖ Are there lasting solutions that will eradicate poverty - whether in poorer or richer countries?

So long as our economic and social policies are based on flawed, distorted and inaccurate economic theory, we can never be free of poverty or economic or social injustice in the UK or in the world. Those who create the wealth of the nation will always be subsidising the owners of land and other natural resources.

So, what is the solution?

This article argues we need a **fair tax system** as well as other progressive policies to make fundamental changes that benefit all of society permanently.

We need to have a tax system that is transparent, fair and just. One that shifts taxes from wages and production to unearned income; one that protects our natural resources from over-use; one that cannot be avoided or evaded; one that rectifies the historic wrong whereby land and other natural resource ownership and wealth has been taken by a few and left the rest of us subject to their repression.

Assuming it is too unrealistic to hope for all natural resources to be taken back into public ownership and the full economic rent charged for their use, then we should at least call for a levy to be applied to the annual rental value of all land and to all other natural resources including oil, minerals, the spectrum, airwaves, wind and solar energy, fishing in our seas, landing slots at airports etc. As natural resource taxes are introduced there should be a reduction in negative taxes including income tax and VAT. These and most (but not all) other taxes actually depress the economy and do not allow other positive economic and social policies to be properly implemented.

This paper argues that we should be looking to charge for the use of all of our natural resources firstly to ensure we use them sparingly and usefully; secondly because natural resource wealth is created by our collective demand for them and thirdly because such charges are unavoidable.

Land: By taxing the annual rental value of all land and reducing taxes on incomes and production, there will be immediate benefits to society including the elimination of land speculation, a reduction in the enormous number of valuable unused or underused sites that blight our towns and cities; a reduction in the demand for urban sprawl by landowners and developers; a reduction in long-distance car commuting with the environmental and social damage that causes; an increase in the amount of land being made available for homes, start-up businesses, leisure etc; a source of sustainable income that is free of the economic distortions caused by property market booms and busts; the opportunity to use that sustainable income to improve public services and to reduce negative taxes that actually act as a drag-anchor on the economy; new small start-up enterprises would be encouraged to grow and expand with lower property costs and lower tax bills especially true in areas of high unemployment and low land values; a re-distribution of the wealth we all create that is morally fair and economically just and which will encourage people to use their skills and talents in positive ventures. Tenants and other non-property owners will benefit from the natural wealth they too create rather than be penalised and forced to pay an unfair and hidden subsidy to land owners.

There are situations where transition to this system of taxation may need consideration; the 'asset rich but income poor' payer is regularly raised. However, given that LVT would need to replace and/or reduce existing negative taxes including current inefficient property taxes, it is unlikely that many payers will receive an LVT bill that is greater than their current Business Rates or Council Tax Bill but the simplest solution is for their bill to be rolled over until the property is sold.

(A list of FAQs is appended that provides answers and solutions to questions and issues people interested in better understanding LVT have raised.)

Oil, coal and other minerals and ores: By taxing the 'economic rent' of all other natural resources, the wealth these resources generate will give local and national governments a sustainable income for public expenditure on health care, education, transport, housing, leisure, investing in new sources of renewable energies and so on rather than go to obscenely rich institutions such as De Beers or to new multi-billionaires such as overseas

football club owners. An example of such is the levy applied to oil in Alaska whereby the residents of the state each receive an annual dividend from oil revenues through the Alaska Permanent Fund.

Landing slots at airports: These permissions to occupy our skies at a particular altitude and time can exchange hands for millions of pounds. The peak time slots obviously give the airline that owns it a tremendous commercial advantage. The landing slot should be paid for but each slot's economic rental value should be collected by the government and not by the airline concerned. The revenue collected should be used for the general good and not to subsidise airline shareholders.

Airwaves and the Spectrum: In 2000 when the Labour Government auctioned off five 20-year licences for third generation mobile phone services, they raised £22 billion (government advisers thought £5 to £6 billion would be raised) and in doing so they collected the economic rent for the twenty years of the licences. So long as those parts of the spectrum are needed at the time, the next auction in 2020 will provide income for the government of the day, again collecting the economic rent for the use of the spectrum for the next 20 years. This method of auctioning the use of a natural resource means the nation benefits of the natural resource wealth and not a private company or individual and should be applied to all airwaves and the spectrum.

Wind and solar energy, fishing in our seas and use of other natural resources: Again, by taxing the economic rental value of each of these and other natural resources, the economic income that arises from our demand for them in their natural state will provide a sustainable source of income to be used for research and investment into, for example, developing renewable energies. One of the biggest costs for providing wind farms is the high payment to landowners for the use of land which may be scrub land with no real economic value.

It is essential that economists, academics, politicians, journalists, trade unionists, think tanks and others become concerned with examining this land reform that will result in a fair and sustainable tax system whereby land and other natural resources are used for the benefit of all, are not wasted and are protected for use by future generations.

Some ways to collect the economic rent of land

Arguably the most just way - We could bring back land into public ownership, without compensation and collect all land rent for the public purse. This would mean a plentiful supply of cheap land to provide truly affordable homes, access to land for young people wishing to farm themselves, cheaper business premises, a huge income to the government who could reduce taxes on workers and introduce a citizens land dividend which would not only ensure every adult and child enjoyed the benefits of us all owning our land and natural resources but also create a blocking mechanism if a future Government wanted to return our land to the likes of the Duke of Westminster and his ilk – the descendants of the original thieves who stole the land from our foreparents by the English enclosures, the brutal Highland clearances and other devious methods.

The alternative most likely to be adopted – If politicians are not able to stomach what we really should do, then we could adopt an approach that even the Labour Party’s front bench could not describe as too radical. An approach that has been advocated by the founders of the Labour Party (it was in Labour’s first 1906 Manifesto), an approach supported by Dr. Sun Yat-sen the first President of China after the boy Emperor, an approach legislated for by the Labour Government in their 1931 budget (but promptly dropped by the subsequent Tory administration), a policy advocated by Tolstoy, Lloyd George, Winston Churchill and Herbert Morrison, an economic instrument often advocated by right-wing journalists and commentators in the FT, the Economist and Money Week. A policy advocated by current MPs like Vince Cable, John McDonnell, Andy Burnham and being pursued by Caroline Lucas, the Green MP with her recent Private Members Bill and supported by many environmentalists mainly known as an **annual Land Value Tax**, by which we would collect some of the land rent for the public purse and stop land hoarding, land speculation and their resultant destruction of jobs and homes.

Other names given to the collection of part of the annual rental value of land include Natural Resource Rentals, Location Benefit Levy, Site Value Rating, Location Benefit Charge and Site Value Tax. No matter the name, the important thing is to collect part of the land wealth that is created by the whole of society to be used fairly to maintain and develop our public services nationwide instead of that unearned income going to ‘owners’ of land.

How an annual Land Value Tax would work in practice

A number of stages have to be completed but with information already gathered for local and national government purposes and with the benefit of modern technology, this task will be considerably easier than that carried out for William the Conqueror to complete the Domesday Book in 1086.

Preparation

Political considerations - The Government of the day will need to make decisions in preparation for the shift in taxation from earned incomes to LVT including:

- ❖ The name it will call the levy (this paper uses Land Value Tax for simplicity)
- ❖ Whether to collect the levy for a site from the freeholder, leaseholder or tenant? If it is only the freeholder that is liable to make the payment, any leaseholder or tenant will see the amount levied on the property they lease or rent reflected in the rent they pay to the landlord (as happens now when Council Tax and NNDR are included in a rent or lease paid to a landlord). The sensible way is to levy the charge on the freeholder.
- ❖ Whether it is collected locally and/or nationally. Either way would need a fair equalisation scheme incorporated into it to account for differences in land value between richer and poorer areas
- ❖ What percentage of the annual rental value of land will be collected
- ❖ Whether moving to LVT and abolishing or reducing specific taxes will be revenue neutral for the majority of individual payers (thus increasing total income for local

and national government because those not currently paying local property taxes will join the tax base) or will be revenue neutral in the total collection of local and national taxes

- ❖ How to use existing local and nation government departments to carry out the changes using the skills, information and structures that already exist within local government, Land Registries, Valuation Offices, Revenue and Customs etc
- ❖ What, if any, fair, accountable and valid interim measures need to be in place during a transition period

For fairness, the income collected must be distributed fairly to local and national government departments to provide and develop the services they are responsible for. For example, it would be wrong for Westminster City Council to keep the enormous amount of income collected from a land value tax applied to that area compared to that collected by Blackpool Borough Council applying the same rate.

Stages needed to Implement LVT

Registration of all land - The Land Registers for England & Wales, Scotland and North of Ireland need to be completed so that the owner and their contact details, permitted use and size of every parcel of land is known.

Valuation of every parcel of land - Each site needs to be valued initially and then at least annually according to its optimum permitted use. Optimum use means its use according to what society wants the land used for and its permitted use is the use that the land is currently authorised to be used for. This valuation will ideally be on its annual rental value (some argue for its capital value but that system would be less flexible and more complex to administer). After the initial valuation each site would need to be revalued at least annually and at the time of a change in its permitted use to allow for increases or reductions in any land values. It is important that regular valuations take place to keep information up to date, for transparency and for fairness and so that there is not a situation such as exists with the current Council Tax which is based on valuations of properties that are well out of date. Objectors of LVT often suggest it is impossible to value land in certain situations yet, land valuations occur every day of the week and there is no identified situation that exists where professional valuers are unable to determine the economic value of a site in any circumstances.

There are many jurisdictions in the USA that value land separate from buildings or other improvements at regular intervals using Geographic Information Systems (GIS); Computer Aided Mass Assessment (CAMA); other technology, programs etc in order to levy a two-tier property tax with separate valuation for the building and for the land.

Apply levy and collect it using skills already used for property and other taxes – The percentage levy on the annual rental value of each site will depend on the government of the day.

Using the existing skills from the Valuation Office, Revenue and Customs and Local Government, there is already a framework in place to value land value, apply the relevant levy and collect it and then using a fair equaliser to redistribute the income to local and national government.

How much income will a shift in taxation to LVT collect? - The amount collected will depend on decisions made by the government of the day. The amount collected will depend on political decisions such as any change to LVT must be revenue neutral; which taxes are abolished and which are reduced; the economic effects of LVT on the economy. It is difficult to give any accurate figure on how much could be collected from a particular LVT percentage applied to a site's annual rental value because of a lack of current relevant information, particularly on land values, needed to make such calculations.

Current property taxes raise around £52.4bn; National Non Domestic Rates raise £26.1bn and Council Tax raises £26.3bn.

However, at 31 March 2013 13% of business premises in England were empty and the cost of the empty property rate relief was £957million. Because land with unusable or no buildings is not subject to Business Rates, the owners of these sites pay no Business Rates. Empty premises or idle sites both deny the community access to these sites for business use, lost revenue and are a target for vandalism and other anti-social behaviour – a complete misuse of land in our towns and cities. In 2010, there were over 190,000 acres of unused land in England and Scotland that was previously developed but lying idle because of speculation in rising land prices by the owners and this does not include sites with buildings that are not used to their full planning potential.

Without allowing for the economic effect of abolition of Business Rates and Council Tax or any reduction in existing taxes, and using the limited information available, estimates suggest a 30% levy on the annual rental value of all land according to each site's permitted use is £92.333billion (see below). Nor does it take into account the effect of Land Value Tax on the economy particularly in areas where there is currently low investment, high unemployment and from where young people leave to find work in London and the South East of England.

What is the current value of all land in the UK?

There is no clear data on the total value of land in the UK. However, some very rough calculations are shown below based on information used by the Office of National Statistics and elsewhere. Unfortunately, figures vary considerably depending on what document is looked at confirming land value data collected in the UK is not accurate, complete or up-to-date.

The total value of all residential land in the UK at December 2013 was £5.963 trillion.⁷

⁷ The Independent 6 F

Agricultural land values rose considerably between 2010 and 2013 and at December 2013⁸ were around £6.7 per acre with farms over 1000 acres in size selling at between £8K and £10K per acre.

Estimate of Residential land values

Residential Prices at December 2012 using Data from Zoopla published January 2013							
Region	Stock	Total property value	average price per home	Land value per home: say £70K to build home outside London and SE and £100K London and SE England	total land value	annual rental value at 5%	applying a 30% LVT
		£	£	£	£	£	£
London	2,869,641	1,480,071,868,929	515,769	415,769	1,193,107,768,929	59,655,388,446	12,634,902,567
South East England	3,907,585	1,233,085,337,770	315,562	215,562	842,326,837,770	42,116,341,889	8,297,481,131
East of England	2,863,931	753,640,578,719	263,149	193,149	553,165,408,719	27,658,270,436	6,453,375,086
South West England	2,460,608	602,467,565,760	244,845	174,845	430,225,005,760	21,511,250,288	4,604,840,666
North West England	3,218,964	532,316,857,716	165,369	95,369	306,989,377,716	15,349,468,886	4,179,726,743
West Midlands	2,427,780	448,593,049,500	184,775	114,775	278,648,449,500	13,932,422,475	2,439,759,956
Yorkshire and The Humber	2,022,666	304,237,283,724	150,414	80,414	162,650,663,724	8,132,533,186	3,081,608,880
East Midlands	1,978,415	343,929,642,015	173,841	103,841	205,440,592,015	10,272,029,601	2,317,807,367
North East England	1,569,724	264,401,171,112	168,438	98,438	154,520,491,112	7,726,024,556	3,910,036,807
Scotland	2,616,293	443,809,630,469	169,633	99,633	260,669,120,469	13,033,456,023	1,933,673,985
Wales	1,401,472	227,014,638,976	161,983	91,983	128,911,598,976	6,445,579,949	1,028,150,306
Northern Ireland	783,281	123,373,023,748	157,508	87,508	68,543,353,748	3,427,167,687	68,777,980,027
TOTAL	28,120,360	6,756,940,648,438	2,671,286	2,601,286	4,585,198,668,438	229,259,933,422	119,659,343,519

⁸ http://www.voa.gov.uk/dvs/_downloads/pmr_2011.pdf

A rough breakdown of UK's land value by current permitted use

The following table gives an estimated value of income that would be collected from an annual Land Value Tax. It takes no account of the effect on existing land values of abolishing Business Rates and Council Tax and replacing them with an annual Land Value Tax. Data is taken from different sources including Government data and Savills Estate Agents.

Land Use (60m acres total)	Acres	Average Value per acre	Capital value of land	Annual rental value at £5%	Applying a 30% LVT
	million	£	£million	£million	£million
Agriculture & forestry	47	7,000	325,500	16,275	4,883
Non-commercial Woods, marshes, heath & other	8	0	0	0	0
Residential (all)	2	2,300,000	4,600,000	230,000	69,000
Commercial (all)	1	1,000,000	900,000	45,000	13,500
Public services, Parks, roads, non-commercial etc	3	0	0	0	0
*Previously developed sites - Residential	0	2,300,000	230,000	11,500	3,450
*Previously developed sites - Non-residential	0	1,000,000	100,000	5,000	1,500
Total revenue from 30% LVT					£92.333billion

Let's change our current economic system that is fundamentally flawed and discriminates in favour of the rich

The broad left political parties, trade unions, think tanks, academics, campaigners and others who want a fair and more equal society continually highlight the failures and hardships caused by the present economic system but rarely call for a fundamental change to our tax system that will really achieve a shift of wealth and power to working people and their families.

Landowners take much of the Surplus that we all create as taxpayers, workers, consumers and investors. Until this fundamental flaw in the tax system is addressed, workers can never be rid of the threat of inequality, unemployment, inadequate housing, poverty, or many of the other ills that trouble us today and tenants and other non-property owners will continue to subsidise the likes of Barratts, the Duke of Westminster and other big land holders who take land value as theirs when they did nothing to create it.

We need policies that will tackle the real injustice of the poorest paying huge subsidies to the richest in society

Contact Information

For further information or to add to the discussion, please see the Labour Land Campaign's website at www.labourland.org

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The views expressed in this document are those of the authors and are not necessarily those of LLC

Answers to some frequently asked questions or issues raised about an annual Land Value Tax (LVT)

1. *“Land can’t be valued separately”*

Land is being valued all the time and includes the value from its location; planning consent; whether or not it has buildings on it or what state of repair they are in; any cost of cleaning pollution etc. Several overseas jurisdictions operate some form of land rent collection and have no difficulty in valuing land. The Valuation Office Agency currently has the complexity of valuing all properties (i.e. land with buildings) for Council Tax and Business Rates and to include land value would be relatively simple.

2. *“It is just another tax that we will all have to pay”*

Firstly, it is important for all taxes to be considered for their worth and we see an annual LVT being introduced as part of a wider tax reform reducing or abolishing taxes that hinder production and create disincentives to creating wealth. For example, by introducing an annual LVT on all land, property speculation and land hoarding will become unprofitable. If the government decides to adopt the Mirrlees suggestion to replace business rates with LVT, but keep it revenue neutral, there will be less paid by most individual businesses that currently pay business rates as LVT would enjoy a wider tax base because the idle sites and empty buildings currently excluded will be paying their full share. (This is right, as the value of the sites depends very much on the quality of local services provided by local and national government).

3. *“LVT will be passed on to tenants and consumers”*

The rental value of land is already included in the rent paid for a home or commercial premises.

As well as seeking a return for the capital they invest in a building, the landowner charges tenants for surrounding local services that create the location value of the site and are provided by nature (rivers, scenic views, etc.); public authorities (schools, parks, swimming pools, policing, transport, street cleaning, planning controls, hospitals etc.) and private businesses (energy, water, sewage, shops, banks, hotels, restaurants, bus and train services etc.).

LVT is paid by the landowner, not the tenant (the tenant already pays location value to the landowner who currently keeps all of it. With LVT the landowner will pass on a proportion of land value to the Government who can then reduce taxes like income tax and business taxes which fall on both the tenant and the owners of buildings.

The only way a landowner can pass on any part of the LVT bill they receive is if they are currently charging a rent that is below the market value – not very likely.

If a subsidy in the form of a reduced rent is being given to an organisation, this will be reflected in the valuation process. For example, if a building **can only** be used for a community group that has no substantial income, then the economic rent for that site is

automatically below that of what it would be if the premises were for commercial use. Similarly, a site that has an old building with a conservation order on it will have a lower economic rental value than if it has permission to have a modern multi-storied office block built on it.

It is crucial for every site to be valued at its current optimum permitted use value.

4. *“LVT will encourage building development on every bit of green land and even more urban sprawl”*

The current system that permits (we would say encourages) land hoarding for speculative purposes is what encourages building on green land in our towns and cities and urban sprawl. With good planning policies and LVT, currently unused or underused sites will be brought into use – reducing the demand for building on our green land. Developers know the value of having green space as part of their development – it adds value to a residential or commercial development.

5. *“There is no full register of landownership – who do you send the bill to?”*

In order to tax land values efficiently and transparently, we need a register of ownership. Most of the register of ownership is already compiled (circa 70%) and it is the aim of the Land Registry to register all marketable land by 2012.

Possibly the easiest way to achieve 100% registration quickly would be for the Land Registry to be given the powers to advertise compulsory registration in the business, daily and property press with a convenient website for landowners to action their registration. A time limit would need to be given (say three months) and all land then left unregistered would be auctioned on a 99 year lease by the Government. (In the interim, bills could be sent to tenants for them to deduct the property’s LVT payment from the rent they give their landlord.)

6. *“Land prices will crash and I will lose my inheritance/my child will lose their inheritance”*

Certainly there are serious issues that need to be considered including the situation above. We argue none of these issues is sufficient to not introduce an annual LVT as measures can be put in place to ensure there are no losers other than possibly the very few large landowners who hold the monopoly ownership of land. It is debatable as to whether the price of land will fall and certainly not in the longer term; providing those taxes that act as a drag anchor on the economy are reduced or abolished, then enterprise is more able to flourish and this will particularly help small businesses to continue to produce and for new businesses to be set up and the value of land will actually increase. (This was the situation in Denmark where a national LVT in the 1950s led to land value increases).

Of course the rate of LVT can be gradually adjusted upwards in order to control land price inflation but not so much as to create a collapse in land prices and prevent planned inheritance. A stable land market will encourage productive endeavour and new homeowners. Over time people will invest their savings into productive businesses paying very little or no taxes rather than into property and so inheritances in the future are more likely to be company shares rather than homes.

The current property taxes actually reward the property speculator and land hoarder communities need to have the empty and underused buildings and sites that blight our towns and cities brought into use. An annual LVT acts as an incentive for landowners to make proper use of their property either by renting it at its proper economic value (ie not at any speculative price) or by selling the property to another developer who will bring it into full use. By increasing the personal allowance, individuals and families will benefit by paying less income tax. A suggested proposal to pay a citizen's dividend from an annual LVT - as happens in Alaska from oil revenues – will provide a direct financial benefit to every taxpayer in the UK whose taxes pay for the infrastructure and public services that generate land wealth.

7. *“What about the person who is asset rich but income poor”*

This objection usually refers to “the old widow” who was also cited by those opposing the abolition of slavery – “abolition will impoverish the lonely widow whose only asset is the three slaves left to her by her husband”. This extreme case did not justify the continuation of an inhuman injustice – (even though it was the slave owners and not the slaves themselves who were compensated!).

In practice most poor people live in houses with low land value and most owners who reside in a mansion on valuable land have considerable wealth, other than their home. However, in order to accommodate the few isolated cases that might arise it should be possible to defer payment of the annual LVT bill until the property is disposed of when both the back-dated LVT owing and interest accrued are paid to the government from the estate. In the meanwhile government investment in infrastructure can continue as the government will be able to borrow against this future income stream.

8. *“What about the person who has just bought their property (residential or commercial) at the existing market value if LVT then reduces the price of that property?”*

Few companies purchase a freehold as it is the norm in commerce (and government) to lease their premises. As for the person with a new home, the government's control of the LVT rate should ensure that although their home won't escalate in value neither will it face a catastrophic fall as in Gordon Brown's boom and slump. Householders will also benefit from lower personal taxes, greater job opportunities and the receipt of a citizens' land dividend. If they sell their property to buy another home although their home will not have shot up in price neither will the home they are purchasing.

9. *“How would LVT be shared amongst those who live in a block of flats / share business premises?”*

The owner of the land will be charged the annual LVT. The rental value of flats or commercial units within one property reflect the location value of each unit; LVT will return part of that benefit to the public purse rather than it all being taken by the landowner.

10. *“LVT has been introduced by previous governments, a number of times before but it has never worked”*

Yes in 1947 “Betterment Levy”; in 1967 the Land Commission; in 1976/77 The Community Land Act and the Development Land Tax (DLT) were all introduced on the same basis of

trying to capture “planning gain” for the community – but we opposed these measures before they were introduced as we rightly predicted they would not work.

An annual Land Value Tax has never been implemented in the UK. (The Labour Finance Act of 1932 did introduce LVT but the new Coalition Government stopped the valuation and a subsequent Conservative Government abolished it). The development land taxes mentioned above all failed because the tax could be – and was – avoided by the land owner not carrying out the development. Any form of development tax is bound to fail simply because it can be avoided. If the government taxes an event (in this case development) the tax can be easily avoided simply by avoiding the event and waiting patiently for its abolition. These additional idle sites lead to lost homes and lost job opportunities in the factories and offices that are not built and add to company costs as they are forced to relocate onto less efficient sites (often creating urban sprawl and unnecessary commuting).

A development land tax is not even logical in its intent – why only tax the uplift on one site because of one action affecting its value at one time in its history? All sites have an economic value that has existed since two or more individuals desire to occupy them; as the economy has developed and as infrastructure and public services have been developed so the value of each site has changed to reflect those improvements paid for by others.

11. *“If it is such a good tax, why hasn’t it already been introduced?”*

That is a question for the policy-makers in this and previous governments to answer. We assume that the main obstruction is that most politicians own land and have a misguided view of how LVT could disbenefit them personally.

Academia does not help, in fact the classical approach to understanding economics was based on clear and distinct classifications of labour, land and capital with the return to each being wages, economic rent and profits respectively. However, for almost the past one hundred years economists have been taught not only to conflate land with capital but also that economic rent can derive from labour and capital – which is of course complete nonsense.

It is our duty to educate and alert people to the benefits of LVT so that where there is a genuine lack of understanding we share our knowledge. Of course, this will not alter the actions of those who mistakenly oppose LVT through misguided self-interest.

Today, discussions held with Treasury officials, politicians and academics frequently end with them saying they agree that an annual LVT is a good, sustainable, redistributive, fair and green tax but after the poll tax riots it would take a courageous government to introduce it! This is not a logical response and makes no sense to dismiss a tax that will not only benefit business, workers, the environment and the economy but help to rectify an injustice inflicted on people over centuries.

Many ‘controversial’ policies have been opposed by “right-minded” people in the establishment for decades in the past but eventually introduced by governments in the UK including the abolition of slavery; Trade Union rights, giving women the right to vote; the

National Health Service; equalities and anti-discrimination policies; green policies to address climate change, banning smoking in public places and London's congestion charge.

12. "LVT won't raise enough money for government to be able to reduce or abolish any tax other than replace business rates and council tax."

This statement can only be answered at a theoretical level because there is insufficient data to properly argue what income could be raised under LVT. So, to answer this properly, there first needs to be an understanding of, and agreement on, the theory of economic rent. Briefly, the argument is that there are three inputs into the production of goods and services: labour (mental and physical), capital and land (all natural resources). The return to each of these is wages, (a reasonable) profit or (reasonable) interest and economic rent. The economic rent of a site is the surplus income that remains after wages and profit and interest are paid. Of course there is another cost to the employer and employee –taxes. Some economists argue that all taxes are paid from economic rent; they are not an input in the production and delivery of goods and services and therefore must come from the surplus income. If that argument stands, then, in theory, all existing taxes could be replaced by an annual LVT. To support this argument, one has to consider what the outcome on land values would be if there was no taxation. History shows that land values would increase by the amount taxes previously collected. When local authorities decided the poundage to be set for business rates, land prices in areas with a high business rate bill were lower than in similar areas where the rate was set low because rent and rates charged are inversely related. The same applies with subsidies paid from the CAP or Enterprise Zones or regional grants etc. The more the level of income of an occupier of a site is raised, the more those land values and therefore economic rent increases and similarly, the greater the unavoidable costs the occupier has to pay, the lower the value of site and therefore the lower the economic rent of that site. Because all sites would be charged LVT, those sites that are currently idle or underused and pay reduced or no business rates, would have to pay the full LVT bill and would therefore be brought into full use thus making land more affordable and thereby increasing productivity. Therefore, the argument is if most or all taxes were abolished and an annual LVT was applied to every site, the amount collected could be increased or revenue-neutral depending on the government of the day.

13. I am an owner occupier of a residential property and a planning application is being made by someone else on my property that I oppose but which, if approved, will increase the land value element of my property. Will I have to pay LVT at my current use value or at the new optimum permitted use value if the planning application is approved?

In order not to create a loophole that gives a property speculator any opportunity to keep valuable land (needed for homes, jobs, public services, leisure etc) out of use in order to avoid paying their proper share of LVT, it is essential for the "optimum permitted use value" to be used as the norm.

However, it is equally important that LVT is applied in a fair and reasonable manner for all residential owner-occupiers. Therefore, if an owner-occupier is faced with the situation posed in the question above, common justice says that such an application made without

the owner's consent, should be refused unless the application is related to a compulsory purchase order (CPO) made by a public body.

14. *Why shouldn't LVT be applied to just those sites that have planning consent, but which remain idle, in order to bring them into use?*

All land values are created by our combined economic and social activities including the benefits we each enjoy from the delivery of public and private services and goods. Every site has an economic value determined by its location and accessibility to public transport; roads; schools; health care; shops; policing; workforce/employment opportunities; other businesses; natural beauty etc. To only apply LVT to those sites that are kept out of use would be a lost opportunity to capture at least part of land wealth – which is unearned income for landowners – and would leave the property taxes collected more complex and unequal than need be. By applying LVT to the economic rental value of every site through LVT, the system is simple, transparent, unavoidable and fair.

15. *How can LVT help those parts of the UK where there is high unemployment, low wage levels and insufficient commercial investment?*

If the level of income raised by LVT is sufficient to abolish current property taxes **and** used to at least reduce some of those taxes that act as a drag anchor on the economy such as VAT, corporation tax, employers' income tax and employees income tax (particularly for those on low incomes) then the economic benefits to people in such areas is considerable. The current tax system means employees; self-employed people; co-operatives; small businesses and large businesses all pay the same rate of tax as those located in more productive, and therefore wealthier, parts of the UK. By reducing these taxes and applying LVT, the cost of setting up and running a business in poorer parts of the country (with lower land values and hence lower LVT liabilities) will reduce thus enabling those businesses that operate at the margin to have a fair opportunity to flourish. Then, as an area prospers, the effects of LVT means future uplift in land values will automatically be collected along with the original value - remembering it is the combined efforts of the whole community that creates land values. It is through this mechanism that natural resource wealth (when applied to land and all other natural resource rent) is shared in a fair, redistributive and transparent way.