

# **A strategy for introducing a land value tax in Britain<sup>1</sup>**

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## **Introduction**

1. I have put forward a left-wing case for a land value tax previously.<sup>2</sup> In this paper, I focus on the practicalities of introducing such a tax in Britain, first as a replacement for the council tax and national non-domestic rates, and then gradually extending it nationally to replace certain other taxes that have a negative impact on economic activity, including income tax. In addition, I dispel a number of myths often associated with a land value tax. Some of the major economic benefits of a land value tax (LVT) compared with other taxes are summarised in **Appendix 1**.

## **Land development taxes versus LVT**

2. The first point to stress is that a land value tax is quite different from a land development tax. A land development tax is a one-off tax on the uplift of value of a site following planning permission once the site has been developed, whereas a land value tax is an annual payment made on all land according to its prevailing value and optimal permitted use, whether or not the site is being utilised to its best advantage. The land tax, under the guise of 'planning gain supplement', that the present government is considering, following the recent Barker Review,<sup>3</sup> is a land development tax. Such a tax has been introduced on three previous occasions by Labour governments, only to be repealed by the Conservative governments that followed, partly for ideological reasons, but also because on each occasion, it was an abject failure.<sup>4</sup>

3. The problem with a land development tax is that it acts as a disincentive to develop land because landowners tend to hold out in the hope that the tax will be repealed by a future government – which is what happened on each occasion previously. And, in the meantime, landowners can watch the value of their land rise without them having to do anything, all the more so because they add to shortages of land for development. A land value tax, on the other hand – because the tax has to be paid whether or not the land is developed – encourages the development of the land as quickly as possible so that landowners can obtain the necessary revenue to offset the tax. That is why LVT tends to improve land use, reducing the incidence of derelict or underutilised sites, and gives rise to increased economic activity.<sup>5</sup> Moreover, unlike other land taxes, LVT provides a stream of income derived from all land indefinitely, rather than merely a one-off payment on sites that happen to be in the process of being developed.

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<sup>1</sup> An earlier version of this paper was presented to a meeting of the Left Economics Advisory Panel on 18<sup>th</sup> July 2006. I would like to acknowledge the education that I have received from various members of the Labour Land Campaign, ALTER, and other groups advocating LVT. However, the views expressed here are my own.

<sup>2</sup> This was in a series of articles in the *Morning Star*, 23 June, 7 July, 21 July, 4 August, 18 August 2004; 27 April, 12 October 2005; and 1 February 2006. The first five articles have been reproduced in the Labour Land Campaign pamphlet, *Land Value ... for public benefit* (October 2004). All can be viewed on the Labour Land Campaign website at [www.labourland.org](http://www.labourland.org), or can be supplied as hard copies upon request ([jvsjones@tiscali.co.uk](mailto:jvsjones@tiscali.co.uk)).

<sup>3</sup> Kate Barker, 'Review of Housing Supply', March 2004, [www.barkerreview.org.uk](http://www.barkerreview.org.uk).

<sup>4</sup> A succinct account of the reasons for their failure has been given by V.H. Blundell, 'Flawed Land Acts 1947-1976', in Nicolaus Tideman (ed.), *Land and Taxation*, Shephard-Walwyn, London 1994, also reproduced on the Labour Land Campaign website, [www.labourland.org](http://www.labourland.org).

<sup>5</sup> This is well illustrated by the city of Harrisburg in the United States, which sharply increased land value tax whilst decreasing other property taxes. It resulted in the gradual elimination of inner city blight so characteristic of other cities in the US, and in higher employment and a huge reduction in social problems. Moreover, because, as a result of the heightened economic activity, revenues increased, the city council was able to reduce the rate of tax. (See my article, 'The US example pointing the way: How the town of Harrisburg was turned around on the back of change in the tax system', *Morning Star*, 12 October 2005, and at [www.labourland.org](http://www.labourland.org)).

### Steps towards introducing LVT

4. In order to introduce LVT, the first requirement, obviously, is that all land must be registered so that the beneficial owner can be identified. This is the responsibility of the Land Registry, first established in 1925. In spite of the time lapse, almost half of the land in Britain is yet to be registered. However, the task is more or less complete for urban areas. It is the large estates of wealthy rural landowners that are missing. But the Land Registry, with the help of various incentives and penalties, is now expected to finish the job within the next few years. In fact, research by Kevin Cahill has already identified most of the beneficial landowners, at least informally.<sup>6</sup> Meanwhile, the steps required for introducing LVT could go ahead anyway.

5. The next step would be to value every plot of land separately from the buildings and other developments on the land. This is often thought to be difficult. In fact, experience from other countries shows that valuing land is easier, less costly and more accurate, than valuing buildings or other developments on land. That is because valuing buildings is complicated by their uniqueness in terms of architectural features, state of repair, what the buildings are being used for, how old they are, and so on. Land value, on the other hand, is determined almost entirely by its location relative to various amenities and by planning permission.<sup>7</sup>

6. Some idea of the land value of properties can be obtained by comparing their value for insurance purposes, which essentially comprises the re-building costs of the buildings on the site, with the overall market value of the property. The difference is approximately the land value – though to get a more accurate picture, the depreciated value of buildings rather than their replacement cost should be used. In fact, at least seven methods are available to a trained land valuer to determine the value of particular sites.<sup>8</sup> By such methods it would be possible to value all land, which, for LVT purposes, could be placed in bands according to value per hectare or per square metre. Using bands greatly reduces the number and cost of appeals. Computer-aided mass assessment and geographical information systems can be used to construct maps, or ‘land-value-scapes’, in which, instead of showing contour lines depicting topography, the maps would show lines connecting places with similar land values.<sup>9</sup> Thus, knowing the area of a site, one would immediately be able to calculate its value by referring to its position on the map. Once such a system for valuing land had been established, it would be easy to update valuations more or less continuously as new data on transactions and other developments became available.

7. At present, there is a need to educate the public, and more especially politicians and their advisers, as to the benefits of LVT, and why overall it is a fair tax. In particular, it needs to be got across that it is society as a whole that gives land its value, and that therefore it should be society as a whole that should benefit from the enhanced value of land as a result of the economic activities carried out by everybody. Advantage could be taken of the fact that support for LVT among those who have thought about it extends right across the political spectrum, so that there are ample opportunities for forming political alliances. The main opposition comprises the very large landowners who would see their privileges sharply curtailed. However, these are a very small minority of the population, though they are powerful.

8. A major task is to dispel the many myths and confusions that have become associated with LVT. Two have already been dealt with, namely the confusion with other types of land tax, and the supposed difficulties of valuing land. Another common myth is that LVT would penalise owners of sites with some kind of disadvantage, such as residential

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<sup>6</sup> Kevin Cahill, *Who Owns Britain: The Hidden Facts behind Landownership in the UK and Ireland*, Canongate Books, 2002.

<sup>7</sup> In the US, in states which have a split tax, partly on land values and partly on buildings, the number of appeals on the valuation of buildings always far exceeds those for land valuations. It means that many more people have to be employed to deal with valuing buildings, thus adding considerably to the costs of collecting the tax.

<sup>8</sup> Ted Gwartney, ‘Estimating Land Values’, [www.henrygeorge.org/ted.htm](http://www.henrygeorge.org/ted.htm).

<sup>9</sup> Pioneering work on this front is being conducted by Tony Vickers, at the School of Surveying, Kingston University.

properties backing onto busy railway lines, motorways, or noisy factories, or close to rubbish dumps and the like. However, valuations would take these negative features into account – the land would have a lower value, and therefore the LVT would be lower.

9. The main body of opinion that has to be won over undoubtedly are homeowners, since some 70 per cent of dwellings in Great Britain now, and the land on which they stand, are owner-occupied, mostly freehold.<sup>10</sup> An advantage here, if the aim was to introduce LVT at local level only in the first instance, is that the prevailing council tax regime is unpopular because of its regressive nature. It needs to be shown that most people, following the introduction of LVT, would be better off.

10. Fortunately, we have the benefit of a major study carried out last year in the Vale of White Horse District in Oxfordshire, where it was shown that the same amount of revenue currently coming from council tax and national non-domestic rates could be raised if the basic rate of LVT was set at 0.8 per cent of the market value of each site.<sup>11</sup>

### **Transitional arrangements**

11. As with any other major change in the tax system, the introduction of LVT would inevitably lead to 'winners' and 'losers', compared with what prevailed previously. This has been the case in the past, when, for example, governments, over time, have reduced direct taxes on incomes and profits, and increased indirect taxes such as VAT and excise duties. Thus, once it is decided to extend LVT beyond a replacement for council tax and national non-domestic rates, it would make sense to do this gradually, perhaps over a ten-year period or more, to give time for people and businesses, and the economy as a whole, to adjust to the new system, and for the economic benefits of LVT to bear fruit.

12. Meanwhile, various measures are available to ease the transition. For example, the Oxfordshire study, for residential properties, incorporated a 'homestead allowance', similar to the personal allowance for income tax purposes, which acted as a threshold before LVT was applied. This led to twice as many 'winners' as 'losers' (7 to 3) – an important political consideration – with the 'losers' confined more or less to the higher council tax bands, who, under the current council tax regime, are the most wealthy, paying a disproportionately low tax compared with those in lower tax bands (which is one of the flaws of the council tax).

13. A major concern is the extent to which LVT would penalise those living in areas who have seen the value of their properties increase sharply over the years (which is entirely due to rising land values in those areas), while their incomes have not grown proportionately, or perhaps even have gone into decline if they have become pensioners or unemployed, or have been widowed. This could also apply to established businesses. However, this can be mitigated in a number of ways.

14. First people – and also businesses – could simply choose to increase the occupation of the premises, for example, by taking in lodgers or sub-letting, or they could move to smaller properties or to areas where land values were lower. This, indeed, is one of the long-term benefits of LVT – it encourages the more efficient use of the land that is available.

15. Secondly, for residential properties, people could be allowed to defer the payment of LVT, or at least a part of it, until the property was sold or transferred to heirs. This would enable people to carry on living in their properties at no extra cost, and if they so chose, to pay less tax than they do now. However, it is only fair that the tax plus interest should be paid eventually because the increased value of their properties (that is the land on which they

<sup>10</sup> *Social Trends* No. 34, Office for National Statistics, 2004.

<sup>11</sup> *The Oxfordshire Land Value Tax Study*, Oxfordshire County Council, February 2005. This 41-page report is available from Brian Hodgson (brianhodgson@btinternet.com). Brian Hodgson, currently Chair of the Labour Land Campaign, and a former member of the Oxfordshire County Council, initiated the project with strong support from other councillors from the Labour, Liberal Democrat and Green Parties on the County and District Councils. However, the newly elected Conservative majority now disown it. It should be pointed out that in many ways, the Vale of White Horse is atypical in that it does not contain a major urban centre. Land values in the centres of towns are invariably very much higher than in outlying areas, and therefore would yield higher revenues, or allow lower rates of tax. This would reduce the amounts that would have to be raised from residential and business properties further out.

stand) would have been created by the activities of the community as a whole, and not by those who happen to occupy the particular site. Meanwhile, local authorities could obtain the revenue that they otherwise would have received from low cost loans using as collateral the stream of income that they would receive eventually.

16. Thirdly, for those on very low incomes, it could be arranged that they received benefits similar to council tax benefit now (though in the long run, a better solution would be simply to raise wages or pensions, but that is another story). In fact, with a 'homestead allowance' in place, if fixed at the right level, those on very low incomes could be liable to very little, or even no, LVT.

17. In the case of businesses, there may be instances when the local community might, for one reason or another, want to preserve the productive activities of certain local businesses in the locality. This could be handled simply through the planning system, which could limit the way in which the land was used. This would reduce land value in these particular cases, and therefore their liability for LVT. Similarly, parks and open spaces, including school sports fields, would be more or less exempted from LVT because prevailing planning regulations would reduce their land value virtually to zero.

### **The effect of LVT on land prices**

18. Another common concern about extending the role of LVT is that it might cause property prices to fall due to an increasing proportion of the value of land going to public authorities in the form of LVT, especially once extended beyond a replacement for council tax and national non-domestic rates. However, this would be offset by the rising value of land, first due to its limited supply in relation to demand, and secondly, because of improved public services and amenities that would be funded by the LVT. In addition, the reduction or abolition of existing taxes as LVT is extended, and also the greater efficiency of land use, will tend to increase demand for property, which would have a positive impact on overall property prices. In short, market prices for land are likely to stabilise, or rise less fast in money terms than they otherwise would, and more or less in line with the general rate of inflation. This would benefit future homeowners, especially first time buyers, by making homes more affordable than they would otherwise be, especially as, during the course of time, incomes would tend to grow faster due to the heightened economic activity as a result of LVT substituting for other taxes.

### **Extending LVT beyond a replacement for council tax and national non-domestic rates**

19. As implied above, it is envisaged that in the first instance the most appropriate way for introducing a land value tax in Britain would be as a replacement for the council tax and the national non-domestic rates. After that, the next step, logically, would be for it to be extended to replace the central government revenue support grant, which, currently, on average, accounts for nearly half of the revenue of local authorities (the amount varying according to needs and the population structure of the localities under the jurisdiction of local authorities). In other words, it could be a first step towards substituting LVT for income tax – which, in effect, is what funds the central government support grant going to local authorities. However, as now, there would still be the need for an 'equalisation mechanism' to take account of inequalities between different local areas, and their different needs. This could be achieved by a certain proportion of LVT collected by local authorities – perhaps half or more – being pooled at central government level, and then redistributed more or less on a per capita basis, which is how the system of national non-domestic rates operates now.

20. Once it was decided to extend LVT beyond the local level, it would be important, for both political and economic reasons, for other taxes to be reduced pro rata every time the rate of LVT was increased, so that LVT was genuinely a replacement tax, and not an additional tax burden, and would be seen to be as such.

### **Effect of planning permission on land values**

21. Another major issue is that land values in Britain are highly dependent on the planning permission given for particular sites. In particular, there is a huge difference in land values between land near towns restricted to agricultural use, and that which is designated for

industrial, commercial or residential use. For example, according to the Valuation Office Agency, the average price of land designated for agriculture in South East England is just over £9,000 per hectare, whereas for residential use, it averages nearly £2.8 million per hectare.<sup>12</sup> Thus, if a landowner suddenly gains planning permission to convert agricultural or commercial land to, say, residential use, he or she could be in for a windfall gain of several million pounds.

22. It is this fact that has lent support for the 'planning gain supplement' proposed in the Barker Review, which, it is argued, would allow the community to benefit from the windfall gain resulting from the planning permission granted by the public authorities, in effect, acting at least nominally on behalf of the local community. However, as already argued (in paragraph 3), this acts as a disincentive to develop the land, especially as the tax would only be due after the land had been developed. In contrast, LVT, which could be more than 200 times what it would have been before planning permission was granted, would be due immediately, so that there would be every incentive to develop the land as quickly as possible. Furthermore, instead of being merely a one-off payment, it would become due every year in perpetuity, so that the revenue stream for public benefit would be far in excess of what it would be for a 'planning gain supplement'. Moreover, it would capture not only the uplifted value, but also the residual value, and it would capture both the residual value and the uplifted values of neighbouring properties, due to their enhanced value arising from the development of the neighbourhood. On top of that, if the landowner sold the land with the new planning permission at its inflated value, he or she would become liable for capital gains tax, which would add further to public revenues.

#### **Rental land value versus capital value . . .**

23. Traditionally, it has been considered that LVT should strictly be levied on the imputed rental value of land rather than its capital value. That is because LVT is essentially a method of collecting for public benefit the economic rent from land arising from the expanding economic activity in which everybody is involved. However, it is a simple matter to go from one to the other using an appropriate discount rate. The advantage of setting LVT as a percentage of capital value is that the data on capital values is more readily available, and people are already familiar with the concept in relation to property. In addition, the rate of tax on capital values is relatively low, which would perhaps make it more palatable! For example, with a discount rate of 5 per cent, a rate of tax on rental value of 20 per cent would translate to a 1 per cent tax on capital value. Meanwhile, tax authorities, when deciding on the rate of tax on capital values, could still derive it from a theoretical tax on imputed rental values, if that seemed desirable, though, in practice, the rate is more likely to be decided by the amount of revenue that the tax authorities, at local or national level, were wanting to raise.

#### **. . . and market value versus total land value**

24. An issue that would come to the fore over time – the more so as LVT was extended beyond the local level – which will require some explaining, is that the market value of land (that is its price) would tend to decline relative to its overall capital value (upon which the liability to LVT would be based), because an increasing proportion of the total value would be captured by public authorities (which, of course, is the whole point of LVT). As explained in paragraph 18 above, this tendency is likely to be offset to a greater or lesser extent by the rising value of land due to growing economic activity, improved amenities and the continuing increase in demand for land relative to supply, but the gap between the two values would, nevertheless, still tend to increase. However, other things being equal, this need not make any difference to the amount of LVT paid, since the more that land values overall rose as a result of increasing economic activity and so on, it would be possible to reduce the rate of tax – as was the case in Harrisburg<sup>13</sup> – so that the actual amount of tax due need not rise to the same extent, if at all. Alternatively, and, preferably – if LVT were to fulfil its potential economic role – rising LVT revenues could form the basis for reducing other taxes that are harmful to the economy.

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<sup>12</sup> Barker, *op. cit.*; p. 76.

<sup>13</sup> See note 5.

### **The role of LVT in the funding of infrastructure**

25. LVT could play a major role in the financing of infrastructure, especially, but not only, public transport, so that over time, it would be the beneficiaries of the investment who would pay. For example, the Crossrail project – a proposed rail-link between Maidenhead, Heathrow Airport and central London, and through to Shenfield, east of London, and Abbey Wood in south-east London – that has been talked about for years, could be financed by borrowing on the basis of the additional revenue from LVT that would be collected due to the higher value of the land in the vicinity of Crossrail, after completion of the project. The London Underground Jubilee Line extension, which cost taxpayers £3.5 billion, could have been financed in this way. It has been estimated that as a result of the extension, land values in the vicinity of just two of the stations, Canary Wharf and Southwark, increased by £2.8 billion, and, over the whole extension, by some £13 billion.<sup>14</sup> In other words, had LVT already been established, the public as a whole would have been the beneficiaries from the higher land values created, instead of the private landowners in those areas, who had contributed nothing to the project.

### **LVT versus the common ownership of land**

26. Many on the left both in the past and now believe that the long term goal under socialism should be the nationalisation of land so that all land in effect would be owned in common. Undoubtedly, if starting from scratch, the state-ownership of land has major advantages for ensuring that society as a whole, rather than private landowners, benefits from the increasing value of land arising from the activities of society. This is well illustrated by Hong Kong under British rule, where all land was Crown Land – that is state-owned.<sup>15</sup> However, state-ownership by itself is no guarantee. Without measures taken to value land in relation to its location and quality, and collecting the economic rent accordingly, those occupying the land will benefit at the expense of the public at large. Moreover, land will tend to be used indiscriminately irrespective of its value. This happened, for example, in the former Soviet Union, where land, as well as capital, was treated as a free good. Consequently, there were countless instances of land being used inappropriately or inefficiently, such as enterprises holding land vacant at no cost to themselves, sometimes for decades, in case they might be able to make use of it later.

27. Meanwhile, the nationalisation of land in Britain, where the private ownership of land is thoroughly entrenched, would be exceedingly disruptive. If a political party included the nationalisation of land in its manifesto, especially if it would be without compensation, one needs little imagination to picture the propaganda war that would ensue – paid for by the wealthy 0.5 per cent of the population who own most of Britain's land. Britain's 17 million homeowners could easily be persuaded that the government was about to steal the land that they had bought in good faith along with their houses, even though state-ownership of land would make no difference at all to their right to the land. Alternatively, if compensation were offered, and if based on market values – which inevitably would incorporate a speculative element – the amounts involved would be astronomical. It would also be immoral. As Henry George observed 125 years ago:

'...to buy up individual property rights would merely be to give landholders in another form a claim of the same kind and amount that their possession of land now gives them. It would be to raise for them by taxation the same proportion of the earnings of labour and capital that they are now enabled to appropriate in [economic] rent. Their unjust advantage would be preserved...'<sup>16</sup>

28. In fact, to progress towards socialism, the nationalisation of land is not at all necessary. With a system of land value taxation in place, it would suffice simply to gradually raise the rate of LVT – at the same time reducing economically more harmful taxes – until

<sup>14</sup> Atisreal and Geofutures, *Property Value Study – Assessing the Change in Values Attributable to the Jubilee Line Extension*, Transport for London, London, 2005. D. Riley, *Taken for a Ride: Trains, Taxpayers and the Treasury*, Centre for Land Policy Studies, London, 2001. Fred Harrison, *Wheels of Fortune: Self-Financing Infrastructure and the Free Market Case of a Land Tax*, Institute of Economic Affairs, London, 2006.

<sup>15</sup> Jerry Jones, *Land value...for public benefit*, Labour Land Campaign, October 2004. See also [www.labourland.org](http://www.labourland.org).

<sup>16</sup> Henry George, *Progress and Poverty*, Robert Schalkenbach Foundation, New York, 1985 (first published 1879); pp. 360-1.

eventually all the economic rent from land would be collected by the state for public benefit. By that time, land ownership would have lost its significance. The important thing would be access to land, and how the land is to be used. And land use, in effect, is already nationalised as a result of the 1948 Town and Country Planning Act. Individuals owning large tracts of land would no longer benefit at the expense of the rest of society simply because they owned the land. The only point of owning land would be to use it. Landowners would have to pay LVT according to its value even if they could not use it economically according to the planning permission granted, when they would have every incentive to sell it on as quickly as possible. Speculating on land, therefore, would become a thing of the past, because it would be too costly. The land market, in effect, would become the buying and selling of access to land for productive use.

29. In short, whether land is formally nationalised or not matters little. The key issue is for the state, acting on behalf of society, to capture the economic rent of land that is created by society for public benefit, and to use LVT to ensure the optimal use of the nation's land resources. This would be just as important under socialism as it should be now under capitalism.

### **LVT and tax policy as a whole**

30. The economic benefits of LVT, and the fact that it is practically impossible to avoid, has led some enthusiasts to advocate LVT as a replacement of all other taxes. However, LVT is unlikely ever to provide enough revenue to finance all the needs of a modern state, especially if the state were to become more involved in pre-empting or dealing with market failures, which would be part and parcel of a left-wing economic policy.<sup>17</sup> Therefore, other taxes will continue to be required, albeit at lower rates.

31. In fact, there are certain benefits in having available a broad range of taxes in addition to LVT – which, eventually, because of its economic advantages over other taxes, should become the main source of revenue for governments. First, it means that each tax can be charged at a lower rate, thus lessening their burden, and it would reduce the incentive to find ways of evading the particular tax. And, if ways are found to avoid one tax, there is the chance of capturing the revenue lost through another tax. For example, a capital gains tax captures income reclassified as a capital gain – and even if the revenue raised by the latter tax were not that significant, as is the case now, it still serves the purpose of closing a potential loop-hole.<sup>18</sup>

32. Furthermore, different taxes can play an important role in achieving other policy objectives. For example, a progressive income tax in a highly unequal society such as Britain's helps the tax burden to fall more fairly on those who can afford it. As society became less unequal, as would be the case under socialism, income tax would become less important in this respect, and could eventually be phased out. And taxes on consumption, including VAT and excise duties, can help to reduce excessive consumption and conserve resources. Moreover, by varying the rate of tax for different products or services, it would be possible to encourage investment in some areas rather than others with the aim of achieving particular social or environmental goals, and generally shift the economy onto a more sustainable basis. How a land value tax could fit into an overall, fairer tax system is summarised in **Appendix 2**.

### **Summary and conclusion**

33. It is quite clear that if starting from scratch, a land value tax has overwhelming advantages over other ways of raising revenue for public expenditure. It is not only fairer, but also has many economic benefits. The main issue, therefore, is how to move from our

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<sup>17</sup> I shall be considering this issue in more detail in a paper to be submitted to the Left Economics Advisory Panel in due course.

<sup>18</sup> All this, of course, ignores the existence of offshore tax havens, which currently allow transnational corporations and wealthy individuals to escape tax on a large scale. Eventually, not only because they deprive governments of significant amounts of revenue, but also because of their destabilising effects on the global economy and on international capital flows which has such a negative impact especially on the world's less developed economies, their activities will have to be reined in and brought under some sort of international control – but that is another story.

current system of taxation to one in which LVT would become the main source of revenue. However, as this paper shows, the transition – starting with the replacement of council tax and national non-domestic rates by LVT, and then gradually extending to national level via replacement of the central government support grant going to local authorities – could be managed relatively easily by making use of various interim arrangements that would allow time for the economy and society to gradually adjust to the new system. All that is required to start off the process is the political will to stand up to the small minority of powerful vested interests opposed to LVT. This would be facilitated by the fact that support for LVT among those who have thought about it extends right across the political spectrum.

2 August 2006



## Appendix 1

### Summary of the major economic benefits of a land value tax

- *Land value tax (LVT) is a means of collecting for public benefit a share of the increasing wealth of land that all of us create through our economic and social activities*
- *LVT is fair because landowners are charged for the benefits they receive. An area with more and better services (public and private) enjoys higher land values than a similar area with a lower level of services*
- *LVT would be used to finance infrastructure and, more importantly, to reduce or replace other taxes which damage the economy.*
- *LVT recognises that every individual helps create land values through their work, their community activities and their spending*
- *LVT recognises that every new investment – public and private – helps create land values, whether it is in public transport, businesses, leisure facilities, schools, hospitals, airports, making neighbourhoods smarter and more pleasant, or in homes or jobs*
- *LVT also recognises that existing services and businesses – public and private – add to land values*
- *By including land that is currently kept idle, LVT encourages better use of land, particularly in towns and cities*
- *Since landowners would have to pay LVT even if they could not use their land economically, they would have every incentive to sell it on as quickly as possible to those who can. Resources wasted on land speculation, therefore, would become a thing of the past – it would be too costly*
- *LVT therefore encourages investment in more jobs and businesses and more affordable homes*
- *By encouraging the use of urban brownfield sites, LVT actively contributes towards protecting the rural environment*
- *LVT therefore helps to protect green land, green belts around cities, and minimise urban sprawl*
- *Less urban sprawl would allow shorter commuting, less cost on roads and public transport, and less energy wasted*
- *LVT will rid communities of derelict sites and buildings that encourage anti-social behaviour*
- *Unlike other taxes, LVT is practically impossible for people and businesses to evade, and is cheap to collect*
- *LVT increases the funds available for public services, including public transport, health, education, leisure facilities, crime prevention, and social welfare*

## Appendix 2

### Proposals for a new, fairer tax policy

- **Abolish council tax and national non-domestic rates, and over a period, income tax at the standard rate (which, together, currently, account for around half of government revenue), and replace with a system of land value tax.**  
*Other taxes, including stamp duty and inheritance tax, could also be phased out over time, and replaced by LVT.*
- **Retain income tax or surtax for very high earners, such as footballers, pop stars, actors, opera singers, high court judges, or top managers.**  
*High earnings, like land value, arise from high public demand relative to limited supply, and therefore are a form of economic rent derived from the rest of society, so it is fair that society as a whole should gain some benefit from the demand it creates.*
- **Recurrent expenditure on pensions and healthcare to be financed mainly through contributions from employees and employers.**  
*This is by far the most cost-effective way of providing these services. However, these contributions should be ring-fenced and paid into a National Pension Fund and a National Health Fund, respectively, which would be administered by statutory authorities under democratic control, independent of the government of the day. People could then be sure that the money that they were paying out was actually going into those services from which they benefit. And it recognises the fact that such contributions are a part of people's wages or salaries that is deferred until they retire, or are a form of insurance for when people or their families need healthcare.*
- **Retain a profits tax (corporation tax plus capital gains tax) beyond a certain threshold at a minimum rate of 10 per cent, rising perhaps to 60 per cent for windfall gains.**  
*This recognises the fact that some productive activities are inherently more profitable than others, yet are dependent on less profitable or unprofitable economic activities, so that the higher profits, in effect, are a form of economic rent derived from the rest of society, and therefore should be taxed accordingly. It also recognises that under capitalism, the bulk of firms' profits derive from surplus labour appropriated from employees and from customers and suppliers, which is another argument that society as a whole should gain some benefit. In addition, all exemptions and allowances, which firms can use now to set against tax, and which are subject to so much abuse, should be abolished.*
- **Retain sales taxes in some form (incorporating existing value added tax and excise duties, which currently account for around 30 per cent of government revenue), and extend to all products, but at different rates according to the product and its environmental impact.**  
*Apart from raising revenue, the object here would be to encourage restraint on excessive consumption of natural resources, so that, along with LVT, such taxes could be regarded essentially as 'green taxes'. In addition, they can be used as a policy instrument for encouraging investment into some areas rather than others in order to achieve particular social or environmental goals, and generally to shift towards a more sustainable economic system.*