Replacing Business rates with a Land Value Tax

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1 Background

In their 2017 Election Manifestos, the Labour Party, Liberal Party and Green Party all had proposals to replace Business Rates with a Land Value Tax (LVT) and a growing number of think tanks and economists also advocate this fundamental tax shift. Supporters of LVT recognise that land rather than incomes, trade or buildings should be thought of as a distinct basis for taxation. Not only is land a natural resource of fixed supply but it is easy to identify and value whereas taxing buildings and capital equipment in factories can be a deterrent to the erection of new premises, investment in new equipment and improvement of existing buildings. Moreover, income taxes can be avoided and evaded, whilst taxes like VAT on trade reduce GDP.

Two essential points in determining income that will arise from a shift to Land Value Tax are:

I. The economic rent of land is the 'surplus' income that arises from a site after all costs of production have been paid, including taxes. As the economy grows, so too does the economic rent of land (land value) and therefore the price we pay for it.

II. Taxes and land value are inversely related and this economic fact underpins how the UK economy will become more efficient, fairer and more sustainable by shifting taxation off wages, trade, reasonable profits and the means of production, and on to land and other natural resource wealth.

William Vickrey, a Nobel Prizewinning economist, argued that "*The property tax is, economically speaking, a combination of one of the worst taxes— the part that is assessed on real estate improvements . . . and one of the best taxes— the tax on land or site value*". The tax on land is a share of land (location) value that is generated from investments in public services and other commercial activities in the local area and it cannot be avoided by an operating business. The worst elements of Business Rates include them being easily avoided by irresponsible development site and building owners; valuations can include plant and machinery needed for production; they penalise owners of good buildings; they are full of loopholes and opportunities for owners to pay a reduced rate.

2 On which sites should LVT be applied?

The first decision in shifting from Business Rates to LVT is deciding which land is to be included in the new levy **<u>in addition</u>** to land already occupied by premises on which Business Rates are currently charged.

Options:

1. **LVT to include all sites containing empty buildings and sites with planning permission for both commercial and residential developments.**
    a. This option would increase the tax base because development site owners and owners of those sites and buildings that currently avoid paying Business Rates by keeping them out of use will pay LVT.
    b. It is important to legislate that, once commercial premises or homes have been built on development sites, the owners of these developed sites will continue to pay LVT rather than the homes being switched to Council Tax.
    c. Including development sites in LVT will act as an encouragement for permitted developments to proceed expeditiously rather than being held out of use for speculative land banking.
    d. Although it might be easier to argue for this change, it ignores land owned by landlords who gain income from privately rented homes for business purposes.

2. **LVT also to replace Council Tax on all privately rented homes**
    a. Option 1 plus privately rented homes which are currently liable to pay Council Tax which is a benefit to owners with homes situated in high value areas. These homes are, in effect, business premises and therefore, it is argued, should be treated as such and pay LVT.

3. **LVT also to be levied on all land except that under owner-occupied homes not used for income**
    a. Option 2 plus lands used for farming, forestry, fishing, hunting and shooting, etc. which are currently exempt from Business Rates but are all income-generating and therefore should also pay LVT

3 UK's land value

> ***"Since 1995 the value of land has increased more than fivefold, making it our most valuable asset. At £5 trillion, it accounts for just over half of the total net worth of the UK at end-2016."***
>
> ***Daniel Groves, National Accounts and Economic Statistics, Office for National Statistics.***

In 2016, Heather Wetzel (Vice Chair of the Labour Land Campaign) calculated total UK land value to be around £6 trillion using a variety of sources (see Appendix 1) with occupied commercial land (excluding farmland and forestry land) being £900 billion and development sites (commercial and residential) being £330 billion, meaning total commercial land value is worth over £1 trillion.[1]

In 2017, the Office for National Statistics (ONS) calculated UK land value to be £5 trillion but the method used for land under buildings was the controversial residual method and is not broken down into use (See Appendix 2).

4 Stages needed to Implement LVT

LVT is much simpler than most other taxes but nevertheless a number of stages have to be completed. With information already gathered for local and national government purposes, tools of modern technology and the knowledge and experience of experts, valuing land will not be an onerous or complicated task.

Registration of all land - The UK's land registers need to be completed so that the owner, permitted use and size of every parcel of land is known. This will be a simple operation as a considerable amount of land in the UK is already registered. Public advertisements could announce that the owners of unregistered land would be required to register within six months for tax purposes and then any unregistered land (i.e. land with no ownership claim) could be declared "common land" and leased by the government to either the current occupiers or to councils, businesses or individuals on 99 year leases with regular rent reviews.

**Valuation of every parcel of land - ** Each site needs to be valued according to its optimum permitted use. "Permitted use" is the use that the community, through the planning process, decides the land should be used for and "optimum use" is the actual use that generates the most rent within the

[1] http://www.labourland.org/wp-content/uploads/2015/10/Heather-Wetzel-Welfare-for-the-Rich-June-2015.pdf

limitations of the permitted use. For several good reasons the valuation should be on a site's annual rental value, a procedure familiar to the UK where business rates already apply to rental values. Annual revaluation is essential in order to keep information up to date, ensure transparency and fairness, and avoid unfair tax situations where land values rise or fall over time in particular areas.

All Registers and valuations must be made public to avoid corruption or distortion and to ensure transparency and confidence in the system.

Some objectors to LVT sometimes wrongly suggest it is impossible to value land. However, land valuations occur every day of the week where sites are exchanged and there is no identified situation that exists where professional valuers are unable to determine the value of a site. There are many jurisdictions that capture land value including Australia, Hong Kong, Singapore, Denmark and parts of the USA where they value land separate from buildings or other improvements at regular intervals using modern computerised and Global Positioning System (GPS) technologies.

Apply levy - The percentage levy on land value, the "LVT Rate", will need to be set at a level to collect sufficient funds to replace all income from existing property taxes (rates, stamp duty, etc.) and any other taxes that are to be reduced or abolished.

Equalisation – If LVT is to be collected by local authorities to replace Business Rates then a system of equalisation needs to be adopted between prosperous areas enjoying high land values and poorer low land value areas.

5 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 such as whether or not to make the shift to LVT revenue-neutral and which taxes are to be abolished or reduced. In time, LVT will also have positive effects on the economy. It is currently difficult to give any accurate figure on how much could be collected from a particular LVT percentage because of a lack of relevant information on land values.

By replacing Business Rates with an annual LVT, the tax base immediately grows because idle development sites and sites with empty commercial buildings—many of which currently avoid paying Business Rates—will all be contributing.

Because an annual LVT discourages speculation in land, land prices will tend towards their true economic value meaning that rents and selling prices of homes cannot be manipulated. This will reduce the impact of booms and busts. (It is worth noting that when, in the 1950s, Denmark replaced some taxes on production with LVT, land values actually increased due to the economic benefits that were immediately realised.)

Because land values and taxes are inversely related, calculations will have to take into account the fact that abolishing other taxes will raise land values; conversely, abolishing subsidies will reduce land value.

Net income from Business Rates collected for the whole UK for 2016/17 was £29 billion

Data on commercial land value is not publicly available but this paper uses all the information that can be accessed and assumes that the land value of eligible commercial sites (that currently pay or avoid paying Business Rates) is at least £1 trillion. Thus, this figure excludes undeveloped residential land with planning permission for homes.

Empty buildings and building sites use public services such as police, fire, roads, etc. when required and the existence of local services also underlies much of their land value. It is therefore logical, fair and just that they should be subject to LVT.

Potential income under LVT: LVT would be levied on total commercial land value of £1 trillion which is £61.74 billion annual rental value (at 6% of capital value). LVT levied on the annual rental value of land at a rate of 50% would raise £30.87 billion. Of course the introduction of any of Options 1 to 3 above would each increase this total figure considerably and could (with perhaps a higher rate than 50%) fund not only the replacement of Business Rates but also the abolition of stamp duty and reduction of other taxes such as National Insurance.

For a list of Frequently Asked Questions with answers see Appendix 6

If you have a question not answered please contact us.

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Appendix 1

A rough breakdown of UK's land value by current permitted use[2]

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 reducing taxes on production and abolishing Business Rates and Council Tax. Data is taken from different sources including government and Savills Estate Agents.

Table 2: 2011 UK land values and example of income collected from 30% annual LVT

Land Use (60m acres total)	Acres	Average Value per acre	Capital value of land	Annual rental value at £5%	Example of income from 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, now idle - Residential	0	2,300,000	230,000	11,500	3,450
*Previously developed sites, now idle - Non-residential	0	1,000,000	100,000	5,000	1,500
Total			**£6.2tn**	**£307.8bn**	**£92.3bn**

[2] Welfare for the Rich by Heather Wetzel http://www.labourland.org/wp-content/uploads/2015/10/Heather-Wetzel-Welfare-for-the-Rich-June-2015.pdf

Appendix 2

Methods used for valuing land by the ONS

There are a number of changes to the national balance sheet (NBS) for Blue Book 2017, one being the requirement for splitting estimates of the value of land from previously published estimates of the combined values of land and assets. Methods used in valuing land in different countries vary but a number of detailed methods have been established by Eurostat and Organisation for Economic Co-operation and Development (OECD)[3]. A simplified version has been produced by the ONS which describes four methods (including the one they use themselves): (i) Direct Method (ii) Indirect: Residual Method (iii) Indirect: land to structure ratio method (iv) Indirect: hedonic method. ONS decided "*These four methods each have advantages and disadvantages when being used to estimate different types of land. The limiting factor for the chosen method for the UK will be the data sources available for each of the land types.*

We have reviewed the available data and its suitability for use with each method, which led to the following conclusions:

- *the hedonic approach could not be used due to the large data requirements needed to build the model and a lack of data available to meet these requirements*
- *similarly the land to structure ratio method could not be used due to data availability. While some data was available for dwellings, the data was mainly for newly built dwellings, which are unrepresentative of the total stock of dwellings in the UK.*
- *the method chosen to estimate the value of the asset land underlying other buildings and structures, land underlying dwellings, and forestry land was the residual method.*
- *the direct method was chosen to estimate agricultural land".*

Although the residual method is not by any means perfect (an exercise in valuing land under the Empire State Building gave a negative land value for this obviously valuable site), the lack of proper data for UK land value means this method does give provide a basis to estimate how much income can be derived from shifting to LVT initially by abolishing Business Rates and then reducing and/or abolishing other distortive taxes including VAT, National Insurance, Council Tax, Stamp Duty and Corporation Tax.

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3 https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/articles/nationalaccountsarticles/changestothenationalbalancesheetforthebluebook2017

Appendix 3

How land value is generated

A report written in October 2012[4] for Crossrail by GVA, the UK's largest independent commercial property consultant, predicted Crossrail would support the delivery of over 57,000 new homes and 3.25 million square metres of commercial space. It noted that Crossrail was already having an impact on property investment decisions, particularly in central London. It also said that Crossrail could help create £5.5 billion in added value to residential and commercial real estate along its route between 2012 and 2021.

A question that needs to be asked is "Why should business premises in one location be valued at a fraction of the price of an identical building located elsewhere in the UK?" The answer, which unfortunately is unheeded by most politicians, economists or even influential think tanks, is in the question—its location.

Location value, i.e. land value, is created from society's combined demand for land for homes, food, business and leisure. Land value varies according to how accessible a site is to transport networks, public and private utilities and services, jobs, workers, customers, other businesses, etc.

Banks and financial institutions clustering in the City of London and Canary Wharf not only make London a global finance centre but also add to the land value of these areas.

Each property is made up of two values (i) the value of any buildings on a site and (ii) the value of the location of each site which includes natural qualities (particularly important for farming). The owners of buildings are responsible for their maintenance and are entitled to a fair rent for the use of their buildings. Location value is created by public and private investments together with natural attributes such as nearness to a river or park. This paper argues that land value that should be collected at least in part through an annual Land Value Tax as it has been created by taxpayers, investors and consumers and not by the landowner.

The underlying value of land and future rises in land value arise from our combined demand for land and the public and private services that we want to locate near to. These services are paid for by all of us as taxpayers and consumers. This is evident, for example, when there is a new transport service paid for by all taxpayers which not only benefits its users but also increases the value of residential and commercial properties in its catchment area, e.g. in the case of London's new Crossrail, taxpayers from all over the UK are enriching London landowners and overseas speculators: this is neither economically sound nor fair.

These windfall gains have been targeted by three previous Labour Governments in 1947, 1967 and 1976, to capture a share of windfall land values arising from planning decisions when Attlee, Wilson and Callaghan each introduced a form of Development Land Tax (DLT). Even Gordon Brown tried to make the same mistake with his ill-fated Planning Gain Supplement. DLT fails because landowners can avoid it by not developing their land in order to create an artificial shortage that drives up land prices and encourages urban sprawl onto less valuable land. [5]

Such windfall gains are unfair when one considers that over 40% of the UK's adult population do not own property but are taxpayers and consumers and are therefore responsible for generating land value and ongoing uplifts therein.

Because most existing taxes are inefficient and damaging to the economy there is huge distortion and the production of goods and services is seriously hampered.

Brownfield sites & Idle Development sites

[4] http://www.crossrail.co.uk/news/articles/crossrail-predicted-to-increase-property-values-by-55-billion

[5] Labour' Flawed Land Acts 1947-1976. http://www.labourland.org/downloads/papers/Vic_Blundell_DLT.pdf

Because land value is not collected for the public purse, it encourages land hoarding, speculation and misuse of our land. Development sites can remain idle for decades, denying local communities access to such land for homes or business and creating eyesores in the process. In its report “Previously-developed land that may be available for development - Results from the 2009 National Land Use Database of Previously-Developed Land in England”6, the Homes and Communities Agency shows that in England in 2009, local planning authorities identified 61,920 ha of previously developed land of which they estimated that 31,160 ha (50%) was potentially suitable for housing and could potentially provide around 1,494,070 dwellings. In February 2018, an analysis of newly compiled registers revealed that there is enough brownfield land—either with planning permission or for which planning permission would be readily granted—to build at least one million new homes, with more than two-thirds of these homes deliverable within the next five years.

Land, homes and commercial buildings left empty by irresponsible owners and speculators deny people access to these properties for housing and business.

Residential and Commercial landlords are running a business. Because there are insufficient council homes being built and so many have been lost through the right-to-buy, more and more people are forced to rent from private landlords. Cheap mortgages under buy-to-let schemes have driven growth of the private rented sector and pushed up the price of homes—preventing more and more people from being able to rent or buy a home in an area where they would like to live. This privatisation of social housing means landlords in the UK currently receive over £9.2 billion in housing benefit. Because land value makes up a large part of a property’s rental value, this means taxpayers are giving a direct subsidy to landlords for doing nothing other than own a freeholding of this natural resource: land value is created by the economic actions of all individuals and businesses in the UK—not by any land owner.

Farms, grouse moors, golf clubs etc.

Farms pay no Business Rates, golf clubs can get Business Rate reductions and grouse moors get ‘farming subsidies’ under the Common Agricultural Policy (CAP). Yet all these landowners benefit from public services as much as any other business, including roads, emergency services, educated and healthy staff, etc. For this reason, all farm land, sporting estates, golf clubs etc. should be included in a shift to annual LVT.

Under the CAP, all farming subsidies capitalise into land value and therefore eventually go to the owners of farmland rather than to farmers—tenant farmers are penalised and new entrants into farming are excluded because of high land prices and rents. In his book “Lie of the Land”. Dr Duncan Pickard, a farmer in Scotland, argues for LVT and describes how subsidies and the current tax regime seriously damage rural communities. Dr. Pickard argues that high employment taxes and tax reliefs on capital investment encourage the sacking of employees in favour of capital-intensive methods. In contrast, LVT would: make farming more efficient and sustainable; protect the environment; create more jobs in agriculture; and release farmland for new and much-needed young entrants.

The Mirrlees review argued for farmland to be included in a LVT on all commercial land.

These businesses get subsidies from taxpayers through the Common Agricultural Policy and pay no Business Rates (other exemptions also apply) and it is contended that they too should pay LVT on the value of their land along with all other commercial land. [7]

[6] http://www.homesandcommunities.co.uk/sites/default/files/our-work/nlud-report-2009.pdf
[7] **Farming subsidies: this is the most blatant transfer of cash to the rich** George Monbiot http://www.theguardian.com/commentisfree/2013/jul/01/farm-subsidies-blatant-transfer-of-cash-to-rich

An annual Land Value Tax would return land value that the whole community generates and act as an incentive for landowners to use their land efficiently. It will also stop the buying of estates for speculative purposes, thereby making land more affordable for genuine farmers and community activities.

Appendix 4

Why an annual Land Value Tax is a good tax

An annual Land Value Tax is quite unique. It is not a one-off charge on development like Labour's previous attempts at Betterment Levies (1947; 1967 and 1977) and Section 106 payments and, unlike these attempts to capture uplifts in land value, it does not deter property transactions nor encourage land banking.

This paper supports the contention that current property taxes need to be replaced with a transparent, efficient and fair tax that does not discriminate for or against any particular group of landowners, residents or businesses. The solution it offers is to replace Business Rates with an annual LVT, a tax that is fair in that it redistributes a part of the unearned economic rent of land that is created by the whole of society, including businesses. Furthermore, LVT is unavoidable, unevadable, transparent, and easy and cheap to collect.

An annual Land Value Tax offers the opportunity to tax the unearned income of landowners and to reduce or replace taxes on the producers of wealth.

LVT is a fundamental and sustainable solution to the provision of affordable homes; reducing unemployment; bringing idle development sites into their full permitted use; and bringing empty business premises into full use, thereby allowing the skills and talents of entrepreneurs, artisans, workers and inventors to flourish. Collecting land value to replace or reduce taxes which damage business will provide a sustainable income for local and national public services and force custodians of land to use their precious resource efficiently, sparingly and in the interests of the whole community, not for exploitation and personal gain.

Historically, many prominent economists including Adam Smith, David Ricardo and Nobel laureates like William Vickrey and Joseph Stiglitz have established that LVT is a preferable and more efficient form of taxation.

Recent studies have concluded that Business Rates and/or Council Tax should be replaced with an annual LVT including the Institute for Fiscal Studies. The conclusions of the Mirrlees Review[8] "Tax by Design" state "we are proposing to abolish the current system of Business Rates and replace it with a system of Land Value Taxation, thereby replacing one of the more distortionary taxes in the current system with a neutral and efficient tax. Business Rates are not a good tax—they discriminate between different sorts of business and disincentivize development of business property." They also advocate including farmland in LVT.

House of Commons Library Research Briefing SN6558[9] dated 17 November 2014 explains (with some debatable points) what a Land Value Tax is and presents arguments for and against its introduction.

In a report commissioned by the Scottish Green Party, Andy Wightman[10] proposes the abolition of Council Tax and Business Rates and the introduction of a LVT on all land in Scotland.

In the Co-operative Party's new document 'A Co-operative Agenda for Britain' 2015, it states "The Government should replace Business Rates and Stamp Duty with a Land Value Tax, applicable to all land apart from property with an occupied primary residence on it."

The Green Party supports Land Value Tax to replace Council Tax and Business Rates.

[8] http://www.ifs.org.uk/uploads/mirrleesreview/design/ch16.pdf
[9] http://researchbriefings.files.parliament.uk/documents/SN06558/SN06558.pdf
[10] http://www.andywightman. com/docs/LVTREPORT.pdfSN6558

Further information about LVT is available from the Labour Land Campaign www.labourland.org ('labour' as in the labour movement, not just the Labour Party) and The International Union for Land Value Tax www.theiu.org

Appendix 5

Reasons why Business Rates are not a suitable tax

Business Rates are not only inefficient but can be avoided and are unfair to businesses, landowners, commercial tenants and entrepreneurs who cannot afford to rent or buy in order to start a new enterprise or expand an existing one.

Because many owners of commercial land are exempted from paying Business Rates (or legally evade paying by making their buildings unusable), a higher tax burden falls on those enterprises which are making good use of the buildings they own or rent.

Because of how the economy works, any subsidy to business in the form of a Business Rate freeze, zero Business Rate levy or Business Rate reduction will ultimately capitalise into land prices thereby pushing up the cost of business premises to rent or buy.

Business Rates are assessed on the building as well as the location value, which means responsible businesses and landowners that have environmentally sound, attractive and well maintained buildings pay higher rates than occupiers of similar but neglected buildings. Business Rates are often avoided by owners of empty buildings and all idle development sites.

Farms do not pay Business Rates; indeed farm owners get paid subsidies from the European Common Agricultural Policy (CAP) that capitalise into higher land prices (both rental and freehold). The Government's current proposals suggest the UK will continue with some form of subsidy for farmers that will continue to enhance agricultural land prices making it harder for new young farmers to acquire farms - the same effect on land prices as CAP subsidies.

In a speech made to the Oxford Farming Conference on 4 January 2018, Michael Gove (Secretary of State for Environment, Food and Rural Affairs) acknowledged the £3 billion currently paid annually to farmers under the CAP system benefits big land owner and pushes up rents for tenant farmers. He said CAP subsidy "gives the most from the public purse to those who have the most private wealth. It bids up the price of land, distorting the market, creating a barrier to entry for innovative new farmers and entrenching lower productivity.[11]

The considerable number of commercial landowners that do not have to pay Business Rates on their unused property means they receive the physical and financial benefits of public services such as transport, roads, education, health, police, the fire brigade etc. without paying for them. These services also increase the location value of their site without them making a fair contribution to the services that generate land value.

[11] https://www.gov.uk/government/speeches/farming-for-the-next-generation

Many commercial tenants cannot afford to rent or buy premises yet they equally contribute to sustaining and creating land value as taxpayers, consumers and investors. They are denied access to affordable business premises because of rising land prices that make premises (and homes) to rent or buy even more unaffordable whilst those who have bought or are buying their premises (or home) see the land their building is sited on (the location value) rise in value through no effort on their part. Everyone pays taxes to some degree and because our taxes pay for public services that make our towns and cities more prosperous, surely it is just that non-property owners should also share in the economic benefit of land through a fundamental shift in taxation off earned incomes and onto the unearned incomes that go to owners of land and other natural resources?

Good developers are hampered in providing premises that are affordable to all because of high land prices due to land hoarding and land speculation. Land booms and busts affect developers who bought at or close to peak prices who then either make a loss or wait until land values go back up again before they develop their site in order to make their profit, depriving society of homes and business that the planning authorities have deemed desirable.

Current business taxes are a barrier to new businesses and enterprises starting and existing ones expanding. Land and buildings in areas of low investment due to inefficient business taxes, remain idle denying the community affordable homes and business premises and preventing the owners from getting an income from the activities that could otherwise be carried out on their land.

Stamp Duty Land Tax is a transaction tax and thereby distorts the market and discourages land and buildings being sold to someone who would use them more efficiently.

High land prices mean unaffordable homes to rent or buy for a growing number of people, thereby reducing the size of the potential workforce for businesses in a growing number of areas.

Appendix 6

Frequently Asked Questions

1. Land cannot 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 and what state of repair they are in; any cost of cleaning pollution up, 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 separate out 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, most businesses would pay less because the tax base would expand with idle sites and empty buildings paying their full share (which is fair because the value of sites is largely conditioned by the quality of local services provided by local and national government).

3. Will LVT 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, landowners charge tenants for local services that create the location value of the site and benefits provided variously by public authorities (schools, parks, swimming pools, policing, transport, street cleaning, planning controls, hospitals etc.), private businesses (energy, water, sewage, shops, banks, hotels, restaurants, bus and train services etc.) and nature (rivers, scenic views, 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 pay a proportion of the value of his or her land to the Government which can then reduce taxes like income tax and business taxes which fall on both tenant and landlord. The only way a landowner can pass on any part of the LVT bill they receive is if the current rent is below the market value—few cases.

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

Yes, in order to tax land values 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 as soon as possible.

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.

5. **Land prices will crash and I/my child will lose our inheritance**

Certainly there are serious issues that need to be considered including the situation above but over 40% of the UK's adult population are not homeowners and they too generate land value as taxpayers, investors and consumers. None of these issues outweigh the advantages of introducing an annual LVT because measures can be put in place to ensure there are no losers other than a small number of large landowners who hold monopoly ownership of so much UK land. It is debatable as to whether the price of land will fall in the short term but it will definitely go up in the longer term as taxes that act as a drag anchor on the economy are reduced or abolished so that enterprise is more able to flourish. This will particularly help existing small businesses to continue to produce and encourage new business start-ups. (In Denmark, land values increased after a national LVT was introduced in the 1950s).

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 undo inheritance plans. A stable land market will encourage productive endeavour and new homeowners. Over time people will invest their savings into productive businesses that are now subject to lower taxation, rather than into property, so more legacies in the future would likely consist of company shares as well as property.

Current property taxes reward property speculators and land hoarders. 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 (i.e. not at any speculative price) or by selling the property to another developer who will make the most of it. Increasing the personal Income Tax allowance would help the less well-off and paying 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.

6. **What about the asset-rich but income-poor?**

This objection usually refers to the "poor 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 (although it was slave-owners rather than 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 genuine cases of hardship, payment of the annual LVT bill could be deferred until the property is disposed of, at which time both the back-dated LVT owing and interest accrued would be 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.

7. How would LVT be shared amongst those who live in apartment blocks / 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.

8. 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 those who understood the Law of Rent opposed these measures before they were introduced as they rightly predicted development land taxes 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 National 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 postponing 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 abolition of the tax in question. Additional idle sites exacerbate the loss of homes and 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? Any site has economic value that has existed ever since two or more individuals wanted to occupy it. As the economy develops, infrastructure is set up and public services are provided, the value of a landowner's asset increases—as a result of improvements paid for by others.

9. 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 oppose LVT as a result of narrow 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 opposed by "right-minded" people in the establishment for decades have eventually been introduced by governments in the UK including the abolition of slavery, Trade Union rights, giving women the right to vote, the National Health Service, education for all etc. etc.

10. LVT won't raise enough money for government to be able to reduce or abolish any tax other than Business Rates and Council Tax.

This statement can only be answered at a theoretical level because there are insufficient data to properly argue how much income could be raised by LVT. To begin to answer the question, one first needs an understanding of the theory of economic rent.

Briefly, the argument is that there are three inputs into the production of goods and services, namely labour (mental and physical), capital and land (all natural resources). The respective returns to each of these are wages, profit or interest, and economic rent. The economic rent of a site is the surplus income that remains after wages and profit and interest have been paid. Of course there is another cost to the employer and employee—taxes. Some economists argue that all taxes are paid from economic rent: since they are not an input into production or the delivery of goods and services, they must therefore come from surplus income. If that argument stands, all existing taxes could be replaced by an annual LVT. To support this, one has to consider what the outcome on land values would be if there were no taxation. History shows that land values would increase by an amount corresponding to the taxes that were originally collected.

Prior to 1990 when local authorities decided the poundage to be set for Business Rates, land prices in areas with high Business Rates were lower than in similar areas where the rate was set lower, providing a concrete demonstration of how prices and taxes are inversely related. This is also why subsidies paid from the CAP or Enterprise Zones or regional grants capitalise into land values. The more the level of income of an occupier of a site is raised, the greater the economic rent and therefore the higher the land value; inversely, the higher the unavoidable costs the occupier has to pay, the lower the economic rent and the lower the value of the site.

- ***Land values and taxes are inversely related which means that, as taxes are replaced in full or in part by LVT, this economic consequence is automatically built into land valuations.***

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 and would therefore be brought into productive use. This would make land more affordable and thereby increase productivity. If most or all taxes were abolished and an annual LVT applied to every site, the overall amount collected could be increased or set to collect the same amount of revenue, depending on the government of the day.

11. 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.

12. Why not apply LVT to just those sites that have planning consent but which are being kept 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 tax system more complex and unequal than it needs to be. Applying LVT to the economic rental value of every site constitutes a system that is simple, transparent, unavoidable and fair.