



LABOUR LAND CAMPAIGN PRESS RELEASE – 06 SEPTEMBER 2021

A rock, a hard place and the dismal abyss

The dilemma facing Johnson and Sunak is being presented as a choice between breaking their manifesto commitments on either payroll taxes (the rock) or social care reform (a very hard place). This is the same strawman that is set up whenever any kind of intervention becomes urgent enough as to be unavoidable: “Who’s going to pay for it?”

As usual, the answer is “You are.” If it is National Insurance contributions, the “You” will primarily be younger and lower-paid workers. Secondly, it will be everyone because everyone will have to shoulder the counterproductive effects of taxes on wealth-producing activities like work: If it costs more to produce something, its price goes up and less of it is bought, less of it is made, factories close, jobs are lost ... the economy shrinks and tax revenue may ultimately go down.

The taxation of wealth does not have the same kind of adverse knock-on effects because wealth is economically sterile until it is recycled back into the active economy. Which is why, in this time of serial crises (financial, health, morale), taxing wealth is higher up on the agenda than it has been for a long time with calls to recoup some of the massive increment accrued by a tiny minority of citizens during the pandemic. Although Council Tax retains a wealth component, failure to revalue properties has eroded this to such an extent that it is now close to the regressive Poll Tax it was hastily introduced to replace. In consequence, the only real wealth taxes in the UK are Capital Gains Tax which—with all its myriad, invested-interest-driven and difficult-to-fathom exemptions and reliefs—accounts for less than £1 in 20 of Treasury revenue, and Inheritance Tax which brings in less than a fifth of that (because rich people do not pay it).

Treasury officials are reputedly hostile to wealth taxes because “*they are expensive to collect and easier to avoid than income taxes*”. This may be true when it comes to financial wealth and even buildings but it is patently untrue when it comes to the one asset type that, according to the Office for National Statistics, accounts for more than 50% of UK net wealth: land. Valuing land is easy with modern technology; it is difficult to hide a Mayfair mansion in the Cayman Islands (although a remarkable amount of this green and pleasant land is perplexingly owned “off-shore”); and if the tax due is not paid, you know where to find the asset to seize in lieu.

Surely a party that claims to be all about economic efficiency and “rewarding hard work” would be in favour of taxing the unearned income that accrues from the simple ownership of valuable assets, notably land. But this is the abyss that the Conservative Party does not dare approach: their traditional core constituency of the landed gentry whose business model is exactly that kind of wealth extraction.

Land ownership is highly concentrated in the United Kingdom and replacing economically destructive taxes on work, trade and enterprise with a judiciously designed land value tax would benefit the majority of citizens. But it is the small minority of citizens who stand to lose out by such a switch to a fairer, more economically sensible tax system who have access to the echelons of political power and control the conversation. Chair of the Labour Land Campaign Heather Wetzel says, “*Never waste a crisis. LVT is fair, efficient and practically easy to implement: its time has come.*” ENDS

***The Labour Land Campaign is a voluntary organisation working for land reform.
It advocates a fairer distribution of land wealth through a Land Value Tax.***

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Contact details

Press Officer: Anthony Molloy

Email: anthony1molloy@gmail.com

Telephone: +44 (0)7704 116 238