

# Tax the land

The fears of real farmers about their liability for Inheritance Tax (IHT) are understandable - farming is hard physical work. Government needs to give better support in order to maintain food security. What farming doesn't need are tax concessions or subsidies paid according to acreage which just inflate agricultural land prices.

We used to have a sensible support scheme for farming which was junked when we joined the Common Market. Worse, the Tories chose to apply the CAP (Common Agricultural Policy) subsidy to benefit big landowners. Labour governments have done nothing to change this and the same system applies today post Brexit, although new programmes are promised that pay farmers for providing public goods. One hopes that includes providing food!

The Budget change to IHT may curb the predilection of the idle rich for hobby farming but it still leaves our only wealth tax easy to dodge. IHT does nothing to stop the relentless concentration of wealth. 70% of British land is owned by 1% of the population. Over 60% of UK wealth is vested in land. Wealth inequality would be better addressed by Land Value Tax (LVT): an annual tax on all land paid by owners. You can't hide land in a tax haven.

The value of land is a function of its natural attributes such as soil fertility, mineral deposits, scenery, local facilities such as public transport, housing, shops; and statutory permitted use. Up-to-date valuations are essential to maintain the credibility of an *ad valorem* property tax. This is partly the reason the old Domestic Rating System was abandoned. Many countries value land separately from buildings - it isn't difficult. In fact in 2019 the

Carol Wilcox from the Labour Land Campaign calls for a Land Value Tax to help tackle wealth inequality.

Valuation Office Agency valued all English land. Its website shows the data for each local authority. Why? Clue: a report by George Osborne's Northern Powerhouse Partnership recommended LVT as a way of devolving local authority funding - a cynical objective. In order to achieve the benefits LVT should be controlled by - and to address inequalities local authorities should be funded by - central government.

LVT would replace all current property taxes: Council Tax (extremely regressive - the owner of a Westminster mansion pays little more than the tenant of a Weymouth bedsit), Business Rates and Stamp Duty Land Tax. LVT reduces land prices because of the inverse relationship between a recurring tax and price, thus encouraging better land use rather than financial speculation.

Agricultural land prices are comparatively low because farming generates low returns and LVT would take most farms out of the scope of IHT. Lower land prices, however, are a problem for farm owners as land is the prime collateral for bank loans. The government could help by guaranteeing loans for the purchase of agricultural equipment.

According to the Defra-commissioned Rock Review, 64% of the total farmable area of England consists of wholly or partially tenanted holdings. Tenant farmers pay the equivalent of 100% LVT to the landlord. If they can afford it so can the owners. The gov-

ernment should offer help to tenant farmers to buy at those lower prices the farms which they work.

Most importantly, LVT is the key to solving the housing crisis. This is how. Businesses locate to where they get the best return on investment. Business Rates are about 50% of rental value. LVT could be set at a similar rate on all income-generating land. The cost of building the average house is about £100,000. Most house price is land value (residential being the most valuable land) but price variations are so extreme across the country that a single rate of LVT would not work. Principal homes cannot generate a profit, but all other types of landed property have that potential, including second homes. LVT could be set at a lower/affordable rate for ordinary homeowners, at least initially.

Landlordism is a business but occupants, not owners, are liable for Council Tax. A high rate LVT could force many landlords to sell up and house prices would plummet. This would enable some tenants to buy their own home and councils to increase their housing stock at knock-down prices. For private renters, legislation would be needed to prevent landlords increasing rents by more than the amount of the Council Tax their tenants previously paid. Some big country estates might also end up on the market which could provide cheap land on which to build new garden cities and towns - lots of council houses set in lovely countryside. Tell Angela Rayner.