



The best wealth tax

With a new black hole hanging over the Chancellor’s head and an imperative for economic growth, wealth taxes are at last on the table again after centuries of clever engineering by the wealthy; it is little over one hundred years ago that the rights to vote and sit in parliament were restricted to landowners, by which time the foundations of our fiscal system were well and truly laid. Foundations on which, over 80% of Treasury revenue comes from growth-shrinking taxes on economically productive activities, namely work, trade and enterprise (Income Tax and National Insurance Contributions, Value-Added Tax and Corporation Tax). Council Tax is often referred to as a property tax although it now more resembles the iniquitous poll tax that it was hastily introduced to replace in the face of massive civil unrest: another clever bit of engineering by enablers of the owners of £100 million pound mansions in London who pay about the same as the tenant in a two-bedroom council house across the road, the key words here being “owners” and “tenants”. Similarly, Business Rates are paid by the occupant, not the owner who will raise the rent when business is good to extract wealth, without playing any active part in the productive economy where the wealth is being created.

Whenever wealth taxation comes up, the usual suspects capitalise on their control of the conversation to promote a myriad of deflective fears through misinformation about administrative complexity, the difficulty of valuing assets, capital flight, evasion and avoidance, etc. However, none of these apply to our nation’s most precious asset which accounts for some 60% of UK Net Worth, our land.

This is why a land value tax (LVT) is the best form of wealth tax: it’s fair because rich people own more and more valuable land than poor people; it’s doubly fair in that landowners who derive most benefit from public sector investment in local services such as hospitals, schools and police stations or transport networks—when a new railway station opens up down the street, the landlord sees his asset rise in value while the tenant sees her rent go up—contribute the most towards it; it’s practical because you can’t hide your Mayfair Mansion or grouse-shooting moor in the Cayman Islands; and it’s pro-growth in that it repairs a broken market in which our landscapes are blighted by potentially useful residential and commercial properties being left abandoned by speculators as their value inexorably rises, a criminal failure to make the most of one of the key factors of production. Moreover, when sterile investment in assets like land is made less lucrative, said investment is redirected into the real economy to boost productivity and competitiveness.

As Rachel Reeves wrote in 2018, “A land tax could help raise tax more fairly from the 0.6 per cent of the population who own 69 per cent of the 60 million acres that make up the UK.” Of course, a LVT does not capture any of the 40% of wealth in buildings, equities, pension pots or bank deposits but maybe later ... 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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