



Business would benefit from a switch to a simple Land Value Tax

Prices are inversely related to taxes: the main point of taxing cigarettes is to make them more expensive so people will smoke less. Other taxes are primarily designed to raise revenue such as Income Tax but the same inverse relationship applies; the key figure when deciding whether or not to take a job is the net take-home wage, not the gross. Similarly, a business owner thinking to set up shop somewhere will have to consider the Business Rates bill as well as the rent (and the former can be a substantial fraction of the latter). This is why any reduction the UK Government makes to Business Rates will simply raise tenants' rents because landlords always charge as much as the market will tolerate. This makes it difficult for new start-ups and forces closure of businesses operating at the margin.

According to the Office for National Statistics, over half (£7.1 trillion) of the UK's net wealth (£13.1 trillion) is in "non-produced assets", i.e. land. But none of that is generated from the act of owning land, only from society's demand for its use which is conditioned by the location's access to roads, public transport, public services, workers, homes etc.

The Business Rates system encourages business models based on keeping potentially useful sites idle (and therefore untaxed) while local land values rise, as they have done inexorably for decades. In addition to inhibiting economic growth, this is one of the main reasons why so many of our high streets are blighted by bleak, abandoned buildings and undeveloped sites, and why responsible developers and business owners cannot afford to rent or buy land to develop or establish wealth-creating enterprises.

Moreover, if the value of the land on which a business is to be located will be a significant factor on its balance sheet, economic activity will be attracted to less affluent areas of the country where land values are lower and where jobs and wealth creation are most needed, notably in the North.

The considerable number of commercial landowners that do not have to pay Business Rates on their properties means they receive the physical and financial benefits of public services such as transport, roads, education, health, police and the fire brigade without paying for them. Because many owners of commercial land avoid or evade paying business rates, a higher tax burden falls on those enterprises which are making good use of the buildings they own or rent.

If the government were to replace Business Rates with an annual Land Value Tax that is fair, unavoidable, transparent and practical (easy and cheap to collect), businesses would benefit. 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.***

For more information see www.labourland.org

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