

# LAND VALUE TAXATION CAMPAIGN

## OPTIONS FOR LOCAL GOVERNMENT FINANCE THE CASE FOR LAND VALUE TAXATION

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## PREFACE

The Land Value Taxation Campaign is a non-party/all party organisation whose aim is to secure legislation for the replacement of existing taxes on wages, goods and services with a property tax on the rental value of all land<sup>1</sup>. This document explains how this could be readily achieved through a reform of the present system of local government finance and that this reform, if carried out along the lines described, would, amongst many other benefits, help to resolve long-standing and apparently intractable difficulties with the system of local government finance.

The last major study of local government finance was the Layfield Committee, which reported in 1976. At intervals since, governments have re-examined the options<sup>2</sup>, but despite major changes, there is a widespread view that the situation is still unsatisfactory.

As its contribution to the debate, the Campaign produced a report soon after the Labour administration came to power in 1997, under the title 'Options for Property Tax Reform'. Since then, the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly have been established. There are proposals for further devolution, whilst central government has been increasingly prescriptive about the way that local government provides its services, to the extent that in many areas of activity, local authorities are little more than agents of central government. Discontent over the domestic property tax has grown and other property taxes proliferate; Stamp Duty Land Tax is now a significant charge on property transfer, inheritance tax is affecting large numbers of people due to rising land values, there are proposals for taxes on housebuilders' land holdings, on increases in property values resulting from infrastructure improvements, and also for US-style business improvement districts, paid for by a supplementary property tax. In addition, planning gain is becoming to all intents and purposes a development land tax and there are proposals to formalise this situation.

The revised title of this document reflects these changes, and the present state of local government financial arrangements. Only the Council Tax is a truly local property tax. The Non-domestic rate is a national property tax devoted to paying for local government services, whilst around 50% of local government expenditure has still to be paid from general taxation.

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<sup>1</sup> The Land Value Taxation Campaign believes that confusions arise through imprecise definitions of "land", or rather, through indiscriminate use of otherwise precise definitions. Whereas at law, "land" means immovable property ("real property"), the Campaign uses the word in its meaning in political economy (the whole of the material universe outside of man and his products). Anyone with a beneficial interest in land (a holding which could be let or sold at profit) is to that extent a landholder. Popular usage more nearly corresponds to the Campaign's: people do not normally think of houses, factories and farm buildings as "land". To add to the potential for confusion, book keepers drawing up balance sheets regard land as capital, which in political economy it definitely is not.

<sup>2</sup> At the time of writing, the government is engaged in what is referred to as 'The Balance of Funding Study'.

## SUMMARY OF CONCLUSIONS

- 1 The Campaign advocates the replacement of the Council Tax and the Uniform Business Rate by a property tax based on annual rental site values only; all land, including vacant and agricultural land, would be assessed for the tax, and the assessment would be on the assumption that the land was at its optimum permitted use within the constraints of planning and other controls. This would be fairer and easier to administer than the present property taxes assessed on values of land and buildings.
- 2 Within a given taxation area, the rate of tax should be the same for land in all classes of use.
- 3 The tax would be multi-part, with elements set by central government, the local authority and any other tier of government already established or likely to be created under devolution proposals. For those local government services where provision is to a national standard and local authorities are effectively agencies of central government, it is suggested that they should be fully funded from the national element of the land value rate; possible examples include police and fire services, education and social services.
- 4 It would be desirable to revise valuation lists annually. In the vast majority of cases this would not require inspection of individual sites since much of the work would be amenable to statistical adjustment. Provision should be made for major quinquennial revaluations, though experience with annual reviews may show that these are unnecessary.
- 5 The Campaign is of the view that the existing power to vary income tax in Scotland is not a satisfactory means of providing the Scottish Parliament with tax-raising powers. Any tax raised by the Scottish Parliament should take the form of a tax on Scottish land values. The Scottish Parliament should use its devolved power to vary income tax by *reducing* it, replacing it by a Scotland-wide levy on land values, to be used as a source of funding for grants to Scottish local authorities. Westminster should pass any enabling legislation that may be necessary.
- 6 Consideration should be given to extending a similar opportunity to the National Assembly for Wales and the Northern Ireland Assembly and any regional assemblies in England that may be established in the future.
- 7 Proposals for replacement of Council Tax by a Local Income Tax or Local Sales Tax would be complex to administer and have undesirable consequences.

## 1 AIMS OF THE LAND VALUE TAXATION CAMPAIGN

- 1.1 The Land Value Taxation Campaign is a non-party organisation which was established with the aim of securing legislation which would fundamentally change the basis of public revenue in the United Kingdom. It proposes that existing taxes on wages, goods and services should be progressively replaced with a property tax on the rental value of all land. This is referred to as land value taxation (LVT) and is defined in appendix A.
- 1.2 Although the Campaign was established to promote the case for a national land-value tax, we would point out that, as is the case with all forms of property tax, LVT is suitable for all tiers of government and can be readily adapted to the multi-tiered structures which have been created as a result of Scottish, Welsh and Northern Irish devolution and others that may be created by the possible establishment of English regional assemblies.

## 2 CURRENT SITUATION

- 2.1 Occupiers of commercial property are subject to the Uniform Business Rate (UBR, also referred to as the National Non Domestic Rate, NNDR). Assessments are intended to be based on the annual rental value of the hereditament and the national rate is set annually; roughly a quarter of local government spending is sourced from the NNDR. There is a statutory provision for a quinquennial revaluation, the next being due in 2008, the revised valuation to come into effect on 1 April 2010. When assessments are changed, there are transitional arrangements, with a phased reduction/increase of payments to occupiers whose assessments fall/rise.<sup>3</sup> There are provisions for levying 50% of the full rate on vacant properties. Vacant land is assessed at zero value and agricultural land and buildings are exempt from the UBR. Since May 2004, firms with single premises at a rateable value of less than £8000 are able to claim back tax; those operating from premises rated at £3000 receive the maximum 50% relief. It is planned that this should be funded by a surcharge on firms occupying premises with a rateable value above £8000.
- 2.2 Occupiers of residential property are subject to the Council Tax, based on selling prices at the time of the initial valuation in 1991. Properties are assigned to eight valuation bands ranging from A (under £40,000) to H (over £320,000). The amount paid is set by local authorities according to a prescribed formula; taking as reference two adults in an £80,000 house (Band D), those in a £30,000 house (Band A) will pay two-thirds as much tax, and those in a Band H house, twice as much. There is a 25% discount for single occupants. Councils have powers to levy 90% Council Tax on vacant residential premises and second homes; most have taken advantage of this. About 25% of local government spending comes from the Council Tax.
- 2.3 Nearly half of local government funding is provided out of national taxation. This contribution, together with that from the NNDR, is distributed to local

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<sup>3</sup> Transitional relief has been scrapped in Wales.

authorities according to complex formulae. Miscellaneous sources of revenue such as fees, charges and grants from lottery and other non-governmental sources make a significant contribution to local authority revenue, about 7% and rising.

2.4 The Scottish Parliament has the power to raise or lower the rate of income tax in Scotland by up to 3 pence in the pound, but to date, it has chosen not to exercise this. The Greater London Assembly's revenue raising-powers are restricted to ad-hoc charges such as congestion charging, whilst the Welsh Assembly and the Northern Ireland Assembly have no revenue-raising powers.

2.5 Advantages of the UBR/Council Tax combination are:

2.5.1 Administration is relatively easy.

2.5.2 Ensuring compliance is straightforward; the taxes are difficult to evade or avoid.

2.5.3 Because the taxes are tied to property, they can be localised and be applied to any form of local government structure.

2.6 Disadvantages of the UBR are:

2.6.1 Valuations involve the inspection of individual premises, as installed machinery and plant are included in the valuation. In some uses, the UBR is close to being levied simply as a turnover tax.

2.6.2 Many appeals are generated when valuations are revised.<sup>4</sup>

2.6.3 There is a financial disincentive to improve and develop, as a modern building is assessed at a higher value and subject to a higher tax than an old one.

2.6.4 Non-use or under use of land is incentivised.

2.6.5 Valuations are insufficiently frequent; UBR assessments made at the peak of the boom in 1988 remained in force throughout the subsequent recession. The consequences of this are exacerbated by the transitional arrangements, which effectively prolong the use of out-of-date assessments.

2.6.6 The exemption of property in agricultural use distorts the land market, favouring agriculture rather than other uses.

2.6.7 The fact that all the revenue from the UBR is allocated to local authorities by central government gives rise to high 'gearing' of discretionary local authority expenditure; additional services can only be provided by a disproportionately large increase in the Council Tax.

2.6.8 Local authorities have no direct interest in promoting improvements and developments that would lead to an increase in commercial rental values in their area.

2.6.9 The tax can be avoided because valuations are based on structures 'as they stand' and buildings can readily be, and sometimes are, rendered unusable for property tax avoidance purposes, eg by 'de-roofing' or 'constructive vandalism'.

2.6.10 Small business exemptions and balancing surcharges are eventually claimed or absorbed by landlords as economic forces ensure that total occupation costs are determined by commercial market conditions.

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<sup>4</sup> Roughly 50% of UBR valuations were appealed against after the 2000 lists came in, though few went as far as Tribunal.

- 2.7 Disadvantages of the Council Tax are:
- 2.7.1 The tax is regressive in that an undue proportion of the overall burden is borne by occupiers of lower-value properties; the Council Tax paid by a couple in a top band H property is only three times that paid by the couple in a bottom band A property. The values of houses in the top band ranges from the minimum figure (£320,000) up to many millions of pounds, yet the same amount of Council Tax is payable by all band H householders in a particular local authority area.
  - 2.7.2 The tax is also regressive across local authorities, with the lowest rates found in areas where some of the most expensive properties in England are situated. In some local authority areas, there is a preponderance of properties in the lowest bands; in others, the preponderance is in the top bands. In such cases, the burden of tax amongst occupants of different properties is distributed almost equally amongst all, instead of being weighted in accordance with the value of the property.
  - 2.7.3 The lack of provision for regular revaluation means that up-to-date values will diverge from the assessments. This is true of whole areas, of property banding within areas, and of individual properties within bands.
  - 2.7.4 Banding leads to fortuitous advantages and disadvantages for those with properties whose value is close to the step from one band to the next. As a result, the initial valuation generated almost a million appeals and it is likely that something on this scale will happen again when the values are revised.
  - 2.7.5 The fact that about 75% of local government revenue comes from central government, means that the Council Tax is subject to high 'gearing' of discretionary local authority expenditure, which can only be varied by a disproportionately large change, almost invariably an increase, in the Council Tax.
  - 2.7.6 The tax cannot generate sufficient revenue; when Council Tax was first introduced, VAT was raised from 15% to 17.5% to cover the shortfall.
  - 2.7.7 Non-use or under use of land is incentivised.
  - 2.7.8 It is a loudly voiced complaint that the Council Tax causes hardship to those – mostly older people – who are 'asset-rich but cash-poor'. This is discussed in Appendix D.
- 2.8 The relationship between the UBR and the Council Tax distorts the overall land market, since it tends to favour residential use<sup>5</sup>. The tax liability of a property in commercial use is higher than if it is converted to residential occupation, and so its market value as residential is higher. This encourages the loss of commercial property, especially in mixed-use neighbourhoods. The situation is exacerbated as local authorities, in their planning role, have a vested interest in the conversion of commercial property to residential use as it increases their tax base.

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<sup>5</sup> The situation could be reversed if Council Tax continues to increase relative to the non-domestic rate. The distortion in the land market remains.

### 3 OPTIONS FOR REFORM

3.1 The main options for local tax reforms currently being canvassed are:

3.1.1 UBR to be partially localised.

3.1.2 Revision of Council Tax bands, with a new valuation and a new formula for the allocation of charges between bands.

3.1.3 Local income tax.

3.1.4 Local sales tax.

3.1.5 *Ad valorem* land value tax, with nationally and locally determined elements.

3.2 Reforms 3.1.1 and 3.1.2 taken together would have the following advantages compared to the present system:

3.2.1 Localisation of the UBR would reduce the present excessive ‘gearing’.

3.2.2 Local authorities would have an interest in promoting improvements which would lead to an increase in commercial rental values in their area.

3.2.3 Where there is a significant proportion of higher value residential properties, the introduction of higher Council Tax bands would make the tax capable of generating additional local income.

3.2.4 The introduction of higher bands and charging a fixed percentage of the valuation would make the Council Tax less regressive than at present.

3.3 The following disadvantages would remain:

3.3.1 Valuations still involve the inspection of individual premises.

3.3.2 The amount of work required for valuation may make it difficult to conduct valuations with sufficient frequency.

3.3.3 Improvements would still be penalised.

3.3.4 Opportunities for revenue-raising are lost; the tax base would be smaller than it could otherwise be, since vacant, undeveloped, underdeveloped and agricultural land would be undervalued or exempt.

3.3.5 The exemption of property in agricultural use would continue to distort the land market, favouring agriculture against other uses.

3.3.6 Non-use or under use of land is incentivised.

3.3.7 The tax would continue to be regressive across local authorities, unless an equalisation scheme was established at the same time.

3.3.8 Infrequent valuations (and revaluations) would generate large numbers of appeals.

3.3.9 Capital values are more volatile than annual rental values and could change substantially even during the period of several months which it would take to make the Council Tax assessments.

3.3.10 The UBR can still be avoided by ‘de-roofing’ or ‘constructive vandalism’ – deliberately making the property unusable.

3.3.11 Local authorities might be tempted to impose excessive burdens on business since this would appear to have no direct consequences for voters.

- 3.3.12 Unless tax rates in a given taxation area were identical for properties in all classes of use, the relationship between the business and domestic rates would distort the overall land market, since the tax would favour one use over the other, influencing land use trends and planning decisions in directions not consonant with economic efficiency.
- 3.4 Reform 3.1.3 (Local Income Tax) would have the following disadvantages.
- 3.4.1 Income tax is claimed to be related to ‘ability to pay’. In practice it is not. Avoidance and evasion are rife. The system is riddled with loopholes which enable those who can afford to pay for the necessary expert advice to reduce their liabilities. Furthermore, ‘ability to pay’ is a spur to dishonesty and idleness. The Campaign takes the view that taxation should be based on the ‘benefit principle’. See appendix C.
- 3.4.2 The cost of supplying basic services to a residence – such as fire fighting and police cover – varies little with the numbers in a household, or whether they are earners. Even the cost of refuse collection is only marginally affected by the size of particular households, as the major expenses of providing the service are fixed.
- 3.4.3 Consider three similar houses on three similar plots in one street. In the first are four adults, perhaps parents and grown-up children, all working and paying taxes. They make little demand on council services, having little time to use facilities such as libraries, parks, leisure centres or adult education classes. In the second are two adults who do not work but make full use of all of these facilities. In the third are two adults and two grown-up children, all claiming benefits and supplementing them by casual cash-in-hand work and criminal activities. Where is the fairness of a local income tax as it would apply to these three instances?
- 3.4.4 It would be necessary to maintain an accurate register of taxpayers’ addresses, and it would, indeed, be necessary to establish a definition of what constitutes residence.
- 3.4.5 Experience with the Community Charge showed that there are problems in linking taxation to place of residence. The total amount of tax payable could differ substantially across local authority areas. This would provide an incentive to avoid and would also give rise to problems of ensuring compliance. In addition, therefore, to the problems that already arise in connection with avoidance and evasion of income tax, the extra tax could be vulnerable to avoidance through the use of “addresses of convenience”, for example by registration where the rate of tax was lower.
- 3.4.6 Complications would arise when taxpayers live in one tax area and work in another. Income tax is often deducted by employers, at source, through the PAYE system. Provision would have to be made for employers to identify by home address the appropriate income tax rate for every employee, make deductions accordingly and ensure that the Inland Revenue was correctly paid, whilst the latter would have to remit the correct amount to the appropriate local authority. Any conceivable administrative procedure will be clumsy and costly in relation to the sums involved.

- 3.4.7 Unincorporated businesses would contribute, but incorporated businesses would not, as the tax would not provide for direct contributions to local revenue from companies, especially national organisations, nor for dividend interest. This would discriminate against sole traders, partnerships and small businesses not registered as companies, whose profits are distributed as wage income rather than dividends.
  - 3.4.8 Non-domiciled residents, who may be very wealthy, enjoy partial exemption from UK income tax.
  - 3.4.9 The decline of regular full-time employment and self assessment impose growing strains on the income tax system. Its long-term future must be in doubt.
  - 3.4.10 Differential tax rates within different parts of the United Kingdom would influence where people chose to live and work, with consequent effects on regional economies. Property values would eventually come to reflect these differential tax rates, and so a local income tax would in effect act as a property tax at one remove, as the difference in tax liabilities will ultimately be reflected in house prices on the two sides of the boundary.
  - 3.4.11 The tax would be 'lumpy': small variations in the tax rate would produce large variations in yield, causing problems for local authority treasurers when setting budgets.
  - 3.4.12 The yield would be unpredictable as incomes within a local authority area cannot be forecast accurately as tax is paid on past incomes; the failure of a major employer could lead to a large shortfall in revenue.
  - 3.4.13 Because earnings per head in many local authorities are relatively low, the yield would inevitably be restricted and those administrations would need more substantial government grants.
- 3.5 Reform 3.1.4 (Local Sales Tax) would have the following disadvantages.
- 3.5.1 The tax is 'lumpy'; small variations in tax rates would produce large variations in yield.
  - 3.5.2 People habitually shop in local authority areas other than where they live. How would their expenditure be allocated to their own area?
  - 3.5.3 Differentials in local sales tax rates would promote cross-border and mail-order shopping.
  - 3.5.4 The tax would create difficulties in pricing stock, especially for multiple stores.
  - 3.5.5 Administrative difficulties; who would collect the tax and how would the revenue be remitted to the local authorities?
- 3.6 In view of the severe drawbacks of localising sales and income taxes, the Campaign argues that local government services should continue to be funded from property taxes. However, the Campaign suggests that the drawbacks of the UBR and the Council Tax would be overcome if the assessments were based on annual site rental values alone – thereby establishing a form of land value taxation. It is also suggested that the tax is made up of two components: one set locally and the other nationally and levied by precept. The proposal and its implications are discussed in fuller detail in the following sections.

## 4 ADVANTAGES OF SITE VALUE PROPERTY TAX

4.1 Site value assessment (Land Value Taxation) as proposed by the Campaign (Appendix A) preserves the main advantages of the existing Council Tax/UBR system:

4.1.1 Administration is straightforward.

4.1.2 The tax is difficult to avoid or evade.

4.1.3 Because the tax is tied to property, it can be localised and applied to any form of local or regional government structure.

4.2 Conversion to site-value assessment would overcome most of the disadvantages of both the present arrangements and the retention of the Council Tax and UBR in substantially their present form.

4.2.1 Valuations are less costly since they no longer involve the inspection of individual premises, as the buildings themselves and installed machinery and plant are ignored in the valuation.

4.2.2 The number of taxable units is reduced.

4.2.3 Fewer appeals would be generated when valuations were revised.

4.2.4 Improvements would not be penalised, as the replacement of an old building by a modern structure would not affect the assessment.

4.2.5 The owner of vacant or under developed land would have an incentive to develop in order to secure the revenue stream with which to pay the tax.

4.2.6 With no need to inspect individual premises, valuations could be revised annually, mostly by statistical adjustment, with substantive valuation quinquennially and when major local changes occurred.

4.2.7 With land in agricultural use being subject to the tax, additional revenue would be raised and distortions in the land market removed, without adding to the cost of farm produce<sup>6</sup>. It would also serve as a clawback mechanism to recover that element of land value arising from grants and subsidies, for example, from the EU.

4.3 Partial localisation of LVT would have the following advantages:

4.3.1 It would reduce the present excessive 'gearing' of local government funding. To prevent 'milking' of owners of non-residential land, local authorities would, however, have to be forbidden from raising the tax differentially on land in different classes of use.<sup>7</sup>

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<sup>6</sup> Tax concessions and the right to subsidies are capitalised in the price of agricultural land. Conversely, withdrawal of these advantages leads to a lowering of land prices, as recent experience in New Zealand attests. Even the best agricultural land is of low value compared with almost all urban land; in a land value taxation regime, marginal land used for farming, by definition, escapes payment altogether.

<sup>7</sup> See sections 3.3.11 and 3.3.12

- 4.3.2 Local authorities would have an interest in promoting improvements and the provision of services and amenities which would lead to an increase in land values in their area.
- 4.4 Further advantages of conversion of the property taxes to site rental value assessment with land in all classes of use subject to the same rate of tax are:
- 4.4.1 The holding cost on land would bring about an end to excessive land-holding in ‘land banks’, in which sites are kept off the market in sub-optimal use. Thus the tax would tend to stabilise all property prices as there would be nothing to be gained from engaging in speculative land deals.
- 4.4.2 Rental values are stable, unlike capital values which are volatile.<sup>8</sup>
- 4.4.3 The tax base would be larger since vacant, derelict, underdeveloped and agricultural land would be assessed and taxed on the basis of its full value.
- 4.4.4 The tax would no longer incentivise the under-use or non-use of land.
- 4.4.5 Equalisation would be straightforward, from areas where aggregate land value was high to areas where it was low; central government would simply precept and redistribute. The national LVT precept would replace a major slice of national taxation, at the same time reducing the amount of money churning in the system since, in the first instance, the LVT mechanism of itself ensures that less is raised from poorer areas where land values are low. It would thus take account not just of the ‘North-South’ divide, but also of the fact that there are poor areas in parts of South East England, and pockets of affluence in Scotland and the North.
- 4.4.6 Tax rates in a given taxation area could (and should) be identical for properties in all classes of use because the difference in use values would be already included in the assessment. Thus, the tax treats holders of all classes of land fairly since it is applied equitably to all sites and does not penalise those who develop efficiently and appropriately.
- 4.4.7 Land is permanent, and the tax could no longer be avoided by devices such as ‘de-roofing’.
- 4.4.8 There is no possibility for avoidance or evasion, as land cannot be hidden, moved about or relocated to a tax haven. The LVT cannot be avoided because the land is physically tied to its location and if the duty is not paid, the asset can, in the last resort, be confiscated.
- 4.5 LVT could well be introduced at national level. However, for the purposes of this document on local government finance, the Campaign has emphasised the

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<sup>8</sup> The primary measure of the value of land is its annual rental. The relation between rental and capital value depends on fluctuating factors such as changes in interest rate, expectations of market performance, and, indeed, hope of changes of planning consent to permit higher-value use. This makes capital values unstable, as the land market is liable to be disrupted from time to time by speculation and waves of panic buying – often followed by collapse. Capital values are thus unreliable as a measure of the current use value of land.

Capital values are also reduced by the very action of introducing a land value tax or duty, since selling price is a function only of that part of the rental income that the owner is able to retain. Whilst this can be allowed for by capitalising the land value duty and adding it to the residual capital value of the land, it is a procedure that the public would find confusing. This is discussed further in a Campaign publication, ‘Rental Value or Capital Value?’

option of initiating LVT in a local government context, Even so, an important aspect of the Campaign's proposals is that the land value tax would have a substantial national component, with the long-term aim of substantially phasing-out present taxes on labour, capital, and their products. The elimination of these national taxes would have far-reaching advantages:

- 4.5.1 A stronger economy: if we tax labour, buildings or machinery and plant, we discourage people from constructive and beneficial activities and penalise enterprise and efficiency. The reverse is the case with a tax on land values, which is payable regardless of whether or how well the land is actually used. It is a payment, based on current market value, for the exclusive occupation of a piece of land. In the longer term, this approach to revenue raising will stimulate new business and new employment, with reduction in the need for costly government welfare.
- 4.5.2 Marginal areas revitalised: economic activities are handicapped by distance from the major centres of population. Conventional taxes such as VAT and those on transport fuels cause particular damage to the remoter areas of the country. LVT, by definition, bears lightly or not at all where land has little or no value, thereby stimulating economic activity away from the centre – it creates what are in effect tax havens exactly where they are most needed.
- 4.5.3 A more efficient land market. The necessity to pay the tax obliges landowners to develop vacant and under-used land properly or to make way for others who will. This would be of particular benefit to small business, small-scale farmers and market gardeners.
- 4.5.4 Less urban sprawl. Because LVT deters speculative land holding, dilapidated inner-city areas will be brought back into good use, reducing the pressure for building in surrounding rural areas.
- 4.5.5 Less bureaucracy. The complexities of Income Tax, Inheritance Tax, Capital Gains Tax and VAT are well known. By contrast, LVT is straightforward. Once the system has settled down, landholders will not be faced with complicated forms and demands for information. Revaluation would become relatively simple.
- 4.6 The taxation of land values has a sound basis in ethics because land is a gift of nature and land values are the product of the natural advantages of the land and the presence and activities of the community. Land value reflects all communal, social and natural benefits and advantages. Thus a tax on land values returns to the community the value that the community creates.

## 5 PRACTICABILITY OF SITE VALUE ASSESSMENT

- 5.1 This system of property taxation is in use in a number of places including Denmark, some of the Australian states and several towns in Pennsylvania. In 1989, a thorough report recommended its continuation in Brisbane. This was accepted. Copies of the summary of the 1989 Brisbane report are available on request and can also be downloaded from the Campaign's Internet site.

- 5.2 A land value survey was carried out on behalf of the Rating and Valuation Association in Whitstable, Kent in 1963 by valuers Hector Wilks and Company, with the aim of determining the practicability of assessment of land-value taxation or site-value rating. No particular difficulties were encountered. Using the 1963 data as a starting point, the Whitstable valuations were revised in 1973 in a follow-up study also conducted by Wilks, this time for the Land Institute; again, no particular difficulties arose, and the report commented on the relative ease of the task, as compared with the system of valuation then in use for rating purposes, which, as now, was on the composite value of land and buildings or other structures.<sup>9</sup>
- 5.3 The necessary valuation expertise is available within the surveying profession.
- 5.4 Land value taxation could be readily incorporated into the UK legislative and administrative framework by modification of the existing UBR/Council Tax.<sup>10</sup>
- 5.5 Property taxes are peculiarly suited to the use of information technology. Computer-aided valuation techniques such as the use of Geographical Information Systems make it possible to undertake valuations at much lower cost, whilst billing and payments are automated through the banking system.<sup>11</sup>

## 6 IMPLEMENTATION

- 6.1 Although the scheme proposed could be implemented at any time, if carried out as described below, it should be achievable at no additional cost or even with a small saving.
- 1A No Council Tax revaluation should take place. Instead, there should be a valuation of all residential land to be assessed on site values only, disregarding the value of all dwellings and other improvements.
- 1B The next scheduled UBR revaluation should be based on site values only, including vacant and agricultural land.
- 6.2 Multi-part site-value tax to be introduced with *all land in the same taxation area to be subject to the same rate of tax regardless of permitted use since the differences in use would be already reflected in the valuations*. There is no necessity for different rates of tax, with the distortions in the property market to which this would give rise.

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<sup>9</sup> At the time of writing, the Whitstable land value survey is being revised, and a land valuation exercise is being conducted in part of the area covered by the Vale of White Horse District Council (West Oxford)

<sup>10</sup> The London Rating (Site Values) Bill of 1938–1939 is a model. Copies are available on request and can be downloaded from the Campaign’s Internet site <http://www.landvaluetax.org.uk>.

<sup>11</sup> “We accept that with the greater use of computer-aided valuation techniques it may be possible to undertake valuations at a much lower cost.” Lord Bassam (Hansard 27 June 2003)

6.3 The tax would be made up as follows:

<b>COMPONENT</b>	<b>SET BY</b>
NATIONAL	CENTRAL GOVERNMENT
REGIONAL (where applicable)	THE DEVOLVED BODIES CONCERNED
LOCAL	LOCAL AUTHORITY

Billing and collection of the tax would be by the lowest tier authority (unless this was a parish council) and regional and national components remitted by precept.

- 6.4 Many services are provided by local authorities to national standards, with councils acting as agencies of central government, and it is suggested that these should be fully funded from the nationally determined element of the site value rate; examples include police and fire services, education and social services.
- 6.5 Transitional arrangements. There are powerful vested interests who will oppose the introduction of LVT. Though few in number, they will misrepresent the proposal as a widespread threat, especially to domestic owner-occupiers, the vast majority of whom will benefit from the reform.# One way to ease the transition would be to set the initial rate of LVT so that the median taxpayer is paying much the same as at present. Because vacant and agricultural land would be included in the assessments, the extended tax base means that the total yield would be more than under the present system, permitting substantial cuts in other taxes such as a raising of income tax thresholds. It should be remembered that for the most part, the ‘losers’ will be those who have held land out of use or who have poorly developed properties that have not been using the advantages of the site to full effect.
- 6.6 Single occupancy relief would go: this encourages under-occupation and is vulnerable to avoidance and evasion. To the extent that pensions and benefits are index-linked and tied to housing costs, this ought to largely compensate for any possible increase in the property tax burden on the retired<sup>12</sup>.

In general, a property tax based on site value assessment would impose less of a burden on single occupants than a tax based on selling prices because properties in single occupation tend to be flats and small houses in which the land value is a smaller proportion of the total property value than is the case with large residences suitable for families.<sup>13</sup>

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<sup>12</sup> The purchasing power of pensions has been affected by changes in the method of indexation, first from being linked to wages to a linkage to the retail price index (RPI), and then by changes in the way that the RPI itself has been measured. The latest of these, the ‘European Harmonised Index’, excludes housing costs, mortgages and taxes.

<sup>13</sup> Where unusual hardship may arise, means are available to assist in special cases without prejudicing the general rights and interests of the community. These issues are not, however, examined here for reasons of space

- 6.7 There will be a continuing need to keep under review which local services are paid for from local taxation and which from central government taxation and by direct charging. The following comment in the summary of the Brisbane report on local taxation (referred to in 5.1) is relevant:

“The Committee concluded that – as a basic principle – in seeking to recover the cost of the works and services it provided, a revenue-raising authority should – as far as possible – charge the beneficiaries of such works and services to the extent that such works and services and their beneficiaries could be distinguished and were identifiable. Where works and services were not, or could not be, separately identified and specifically charged for, their cost should be recovered by a basic general charge which should nevertheless conform, as far as possible, with the benefit principle.”

“In respect of ‘merit goods’<sup>14</sup> the Committee adopted the view that charges should be related primarily to the value of the service or benefit provided (rather than to some arbitrarily determined level of cost-recovery); while in the case of any local government works or services which were effectively ‘market goods’<sup>15</sup> it took the view that local government should adopt a realistic pricing policy and be entitled to earn surpluses (which could be applied to the cross-subsidisation of public and merit goods<sup>16</sup>).”

- 6.8 An objective of the reform should be annual revaluation, with substantive revaluation at no more than quinquennial intervals.

## 7 PROPOSED LEGISLATION

- 7.1 The form of site-value taxation which the Campaign advocates is substantially the same as was put forward in the London Rating (Site Values) Bill 1938-1939 (see footnote 10). If passed by Parliament, the Bill would have introduced this fiscal measure in the administrative County of London. In the event, it fell on a procedural technicality.
- 7.2 Clearly the terms of the 1938-1939 Bill are indicative only, and would have to be updated and adapted to current conditions and, where applicable, would be worded to satisfy the requirements of Scots law and Northern Irish law.

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and overall balance. See, however, appendix D.

<sup>14</sup> Merit goods are defined as those which could be supplied by the market but which, for policy reasons, governments decide should be provided at less than their full cost.

<sup>15</sup> Market goods are defined as those which could be supplied efficiently at socially acceptable prices by the market mechanism.

<sup>16</sup> Public goods are defined as those goods which generally could not be priced in the market sense, since their use could not be made subject to price payments in the same way as market goods, and which therefore had to be paid for from public revenue.

## 8 FURTHER IMPLICATIONS OF A CHANGE TO SITE VALUE ASSESSMENT

- 8.1 The yield is predictable, and buoyant in the long term, because, in general, land values tend to rise faster than the rate of inflation.
- 8.2 Site value assessment would recoup increases in land value due to public decisions of various kinds, such as infrastructure investment, planning policies, planning gain, and enhancements to land value resulting from special arrangements and subsidies, such as the Common Agricultural Policy and the former Enterprise Zones. It would also provide a compensatory mechanism where land values are adversely affected, for example, by motorway or airport noise or as a result of planning restrictions. This is of particular relevance in relation to local authority activities, because planning decisions and the provision of facilities such as traffic management schemes, parks, and good quality local schools can all have an influence on land values. With an LVT system in operation, the wider costs and benefits of such schemes would be transparent.
- 8.3 The tax is fair because land values in their entirety are due to the community. Land values can rise (and fall) for a variety of reasons, essentially of a political nature: improvements in amenities or transport facilities, agricultural price support, regional grants, a general increase in prosperity, or planning consent, which releases a latent value.
- 8.4 The tax is in accord with the 'benefit principle'. A tax based on land values is a payment for the advantages accruing to a site, and falls only upon values which can be enjoyed or realised, though levied regardless of the use that the beneficial owner actually chooses to make of them.
- 8.5 A tax on site values would also resolve automatically many arguments about who should pay for major public works. With site value assessment, it would be the beneficiary who would pay, and the amount payable would be determined not by meticulous and dubious calculations, but by the market-determined and ascertainable changes in the values of the beneficiaries' land.
- 8.6 Valuations would reflect the advantages and restrictions of Conservation Area/Area of Outstanding Natural Beauty/Site of Special Scientific Interest status. More efficient use of urban land that is presently derelict or under-used will reduce pressures to seek planning permission for wholesale redevelopment (as opposed to restoration) in conservation areas in towns. Rural areas will benefit in a similar manner and, significantly, better use of urban land will remove some of the pressure to develop on green field sites. As a result, the incentive towards employment of intensive farming methods will be reduced, to the advantage of AONBs and SSSIs, as well as of rural areas in general.
- 8.7 In most towns, there are extensive areas of 'inner city decay'. These are kept in their present condition partly because the landowners have little incentive to improve them rather than hold the land out of use for speculative reasons. There is at present no effective financial penalty for holding land out of use or grossly

under-using it. Thus, despite the acres of derelict sites within our cities, there are still pressures to turn the countryside over to development.

Inner-city dereliction goes hand-in-hand with high costs for infrastructure services, which must be extended away from the centre. This presents further difficulties in siting schools, libraries, hospitals and the like, and gives rise to attendant travel problems and costs. If site value taxation were applied, owners of vacant and under-used property would immediately come under financial pressure either to develop the derelict inner-city areas themselves, or to dispose of it to somebody else who would do so.

#### TREATMENT OF BROWNFIELD SITES

8.8 Decisions on essentially environmental matters can be accommodated within the valuation procedure. Contaminated land is obviously less valuable than good land. The objective, however, is to value the land as if it were in good condition. Landholders are obliged to pay the land (site) value duty regardless of whether, or how well, their land is actually being used. To produce income to meet the charge, holders of land needing reclamation will soon move to rehabilitate and redevelop their sites or make way for others to do so.

If land is so badly polluted that the costs of making good cannot be justified in economic terms (the annualised cost exceeds the attainable annual rental value), public authorities will presumably have to be given the power, perhaps after compulsory acquisition, to decide to use public funds to rehabilitate the land as a health and safety measure. The duty subsequently payable is charged on the basis of optimum use within existing planning consents.

This is an issue of planning and environmental management in the general public interest, not a specific matter of revenue collection. See also appendix E.

#### EFFECT ON SMALL BUSINESSES

8.9 The tax would be of benefit to small businesses in town centres, which are generally asked for higher rents on the expiry of their leases. The lessee often cannot afford the new rent, and closes the business. Even if the landlord cannot immediately find a tenant willing to pay the revised rent, the business rate currently payable on vacant premises is insufficient to provide an effective incentive to bring them promptly into use again. Thus we find businesses driven to extinction whilst the premises they previously occupied stand speculatively empty. With LVT, owners would need to maintain the cash flow from which to pay the tax and could not afford the risk of having their property vacant. To avoid this, they would set rents competitively. Far from killing off small businesses, it would remove the inbuilt bias against them.

## RELATIONSHIP WITH PLANNING SYSTEM

- 8.10 Land value taxation, provided that it were at a sufficiently high rate, would automatically resolve the issues of betterment and planning gain<sup>17</sup>, by providing a simple, effective and automatic means for collection of increases in land value released by planning consent. In this, it would at last provide planning policies with the necessary financial force – the lack of which has frustrated the planning process since 1947.

## 9 CONCLUSIONS

The Council Tax has engendered widespread discontent and is in any case being operated on assessments that have become badly out-of-date; reform is opportune. Tax reform is surely also implicit in Scottish, Welsh and Northern Irish devolution and the possible introduction of English regional assemblies.

The Campaign advocates the replacement of the Council Tax and the Uniform Business Rate by a property tax based on annual (rental) site values only; all land, including vacant and agricultural land would be subject to the tax, and the assessment would be on the assumption that the land was at its optimum permitted use within the constraints of planning regulations and other limitations.

- 9.1 Within a given taxation area, the rate of tax should be the same for land in all classes of use.
- 9.2 It would be desirable to revise valuation lists annually, although in most cases this would not require inspection of individual sites since much of the work would be amenable to statistical adjustment. Provision should be made for major quinquennial revaluations but experience with annual review may show that these are unnecessary.
- 9.3 The tax would be multi-part, with elements set by the local authority and, by precept, central government any other intermediate tier body which may be established under devolution proposals.
- 9.4 For those services which are provided by local authorities acting as agencies of central government, it is suggested that these should be fully funded from the nationally determined element of the site value rate; examples include police and fire services, education and social services.
- 9.5 Conversion of the UBR and the Council Tax to a site-value based assessment would eliminate the disadvantages of the existing system and any alternatives not based on property.
- 9.6 The site-value tax is also an appropriate base for the funding of devolved authorities, since it is free of the problems of avoidance and enforcing

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<sup>17</sup> The campaign has dealt with this subject at length elsewhere; see <http://www.landvaluetax.org.uk/planning.htm>

compliance which would arise if these new bodies are funded by permitting local variations in the rate of income tax; Scotland, which has that right already, has chosen not to invoke it.

- 9.7 Although the main reasons for the replacement of existing taxes by land value taxation are fiscal and economic, its introduction would also remedy the long standing and unresolved question of compensation and betterment as it relates to the planning system. LVT should be seen as an essential component of a satisfactory and effective planning system.

## APPENDIX A

### DEFINITION OF LAND VALUE TAXATION

- A1 LVT is a tax on the annual rental value of land. The valuation is the current annual market rental value of the land alone, disregarding buildings and other improvements (drainage works, standing crops, etc).
- A2 Each unit of land is assessed at its bare site value, with all surrounding land taken as being in its existing condition. The valuation is on the basis of optimum use within whatever permissions and constraints apply.
- A3 All land, including vacant and agricultural land is subject to the tax.
- A4 In practice, LVT would operate in much the same way as the present national non-domestic rate, with the difference that no land would be exempt and buildings and other improvements would in effect be de-rated.

## APPENDIX B

### DEFINITION OF LAND VALUE

The following definition of land value is that given in Section 3 of the London Rating (Site Values) Bill, 1938-1939.

The annual site value of a land unit shall be the annual rent which the land comprising the land unit might be expected to realise if demised with vacant possession at the valuation date in the open market by a willing lessor upon a perpetually renewable tenure upon the assumptions that at that date –

- (a) there were not upon or in that land unit –
  - (i) any buildings erections or works except roads; and
  - (ii) anything growing except grass heather gorse sedge or other natural growth;
- (b) the annual rent had been computed without taking into account the value of any tillages or manures or any improvements for which any sum would by law or custom be payable to an outgoing tenant of a holding;
- (c) the land unit were free from any incumbrances except such of the following incumbrances as would be binding upon a purchaser –
  - easements; rights of common; customary rights; public rights; liability to repair highways by reason of tenure; liability to repair the chancel of any church; liability in respect of the repair or maintenance of embankments

or sea or river walls; liability to pay any drainage rate under any statute; restrictions upon user which have become operative imposed by or in pursuance of any Act or by any agreement not being a lease.

“works” does not include any works of excavation or filling done for the purpose of bringing the configuration of the soil to its actual configuration;

“road” does not include any road which the occupier alone of the land concerned is entitled to use.

## APPENDIX C

### ABILITY TO PAY NOT A SOUND BASIS FOR TAXATION

C1 The concept of ‘ability to pay’ is often urged but woolly. Much is made of its alleged fairness. ‘Ability’ to pay is a flawed concept, for it takes little account of how the taxpayer has come by his ability. In any case, present-day taxes supposedly based on ability to pay are frequently unfair or worse. Direct taxes such as income tax, corporation tax, or capital gains tax, are open to anomalies, avoidance, and evasion. Indirect taxes like customs duties, value added tax, or motor fuel taxes take no account of the financial standing or the obligations of the buyer of the goods affected. It does so happen, however, that landholders are in a perfect position to be able to pay, for they have an asset, land, whose value is derived from and reflects its capacity to produce a return with the appropriate input of labour and capital<sup>18</sup>.

LVT is thus payment for benefits received, compensation to the rest of the community for exclusive use of a particular site. What the landholders achieve thereafter, they are free to enjoy untaxed or, depending on how high the land value levy is set, taxed at a much lower rate. What could be fairer than that?

The benefits received by virtue of paying rent for exclusive use of a plot of land need not always be for purposes of economic exploitation. Land might, for instance, be enjoyed for residential use. Indeed, site value is being paid to-day either in the purchase price of a house or in the rent handed over to its owner. LVT captures the rent of land for public revenue and allows removal of taxes from man-made wealth.

“The amenities provided by natural surroundings, society, and government, make some places so obviously more congenial than others. Justice demands that those who enjoy these amenities should pay for the privilege according to the degree of benefit accruing to the position they occupy” – Sir Kenneth Jupp (“Land & Liberty” magazine, Spring 2000).

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<sup>18</sup> Labour is defined as human exertion; Capital is defined as wealth used for productive purposes: buildings and other structures, machinery and plant and standing crops, together with goods in course of production and goods in course of exchange.

C2 Essential government services must obviously be paid for somehow. A tax should be<sup>19</sup>:

- Equal and equitable in its burden
- Certain and not arbitrary
- Convenient as to the time and manner of the levy
- Economical: inexpensive to collect and not unduly obstructive and discouraging to the taxpayer.

Land value taxation (LVT) meets all of these criteria.

C3 Powerful support for this view is provided from Australia. Brisbane City Council set up a Committee of Inquiry into Valuation and Rating, under the chairmanship of The Hon. Sir Gordon Chalk, K.B.E., LL.D. (Deputy Premier and Treasurer of Queensland, 1965—1976).

- (a) The following extracts are from Volume 1 of the Committee's Report, dated 26th. September 1989:

Section

67 Should citizens be penalised because they worked hard and applied their skills and labour? If people acquired wealth by anti-social means, this should be remedied by law enforcement agencies... Otherwise, if hard work, energy and enterprise were desirable attributes, and if increased productivity was a desirable goal, an undiscriminating tax on incomes or wealth per se was illogical and not in the public interest.

68 Within the Committee it was strongly argued that income and corporate taxes and (in a time of structural unemployment, perhaps most of all) payroll taxes were inherently ill-conceived. Logically, revenue-raising should not be concerned with ability to pay... The most logical taxes were: (a) those which focused on the use or possession of the community's natural resources (of land, sea and air); (b) charges for the use of services or facilities provided by the community; (c) charges, fines or contributions to offset costs imposed upon the community; and (d) taxes or contributions to offset special benefits conferred upon particular groups or sectors within the community. While many of these contributions to revenue would tend to fall most heavily upon those who had the greatest ability or capacity to pay – because they used more resources or consumed more services – they would do so coincidentally and not because of their ability to pay.

70 Considerations of equity and efficiency led the Committee to a fundamental and, in its view, logically unassailable decision, namely to prefer the benefit principle rather than ability-to-pay. Thus the Committee sought to avoid equating revenue-raising with simply taxing wealth... The legitimate generation of wealth through labour, skill and enterprise should be encouraged rather than penalised.

120 Exemplifying the maxim that taxing capital drives it away while taxing land forces it into use, an improved value tax [i.e. one on man-made improvements such as buildings] is not neutral in its effect and operates to discourage development by effectively penalising it.

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<sup>19</sup> The criteria are those formulated by Adam Smith

- 121 A tax on unimproved land value was undoubtedly efficient... Ownership or occupation of land was primarily, if not exclusively, a benefit the components of which were its natural attributes and the public works and services available to it, together with the less tangible but nevertheless real benefits of membership of a cohesive organised society.
- 122 Land, like air and unreticulated water, is a community resource the exclusive use or occupation of which by individuals should be paid for according to the extent of the benefit they enjoy. If all land in the city were valued frequently and accurately and in accordance with the use of it permitted by the city's town planning controls, a land value tax should be an accurate reflection of the benefit derived from its use or occupation.
- 123 A land value tax... bears most heavily upon those who have the capacity to own the most valuable land. Thus, without being aimed at the wealthy, it automatically (and equitably) also performs a redistributive function and effectively achieves cross-subsidisation.
- 198 While tourists and non-residents use or benefit from city services, they contribute in other respects to its prosperity. A share in this prosperity should... properly be recouped for the city through the increased value of rateable land on which, for example, accommodation and entertainment facilities are erected.

(b) The following extracts are from Volume 2 of the Committee's Report, supporting information:

[J D Tucker (Department of Government, University of Queensland, and member of Committee of Inquiry): Some revenue-raising options] [The references to Mathews are to "The Mythology of Taxation", by Russell Mathews, Reprint Series, Centre for Research on Federal Financial Relations, A.N.U., Canberra, 1984]

According to him [Mathews], it is clear that... income is not a satisfactory measure of ability to pay tax; that because of the opportunities for avoidance and evasion which it presents the income tax ranks low on the overall scale of tax effectiveness and provides differing opportunities for non-compliance for different income classes and groups of taxpayers; that a nominally progressive rate structure does not necessarily make the rich pay more tax than the poor, although it is likely to make wage and salary earners pay more than other groups with comparable abilities to pay tax; that an income tax is consequently a weak instrument for achieving vertical and horizontal equity. (Pg. 9)

The virtue of rates in terms of their inescapability is... probably underestimated. Mathews underscores this point when he says: The fiction that people pay the tax they are supposed to pay ignores the fact of tax avoidance and evasion. The tax system has generally been designed without any thought to the effectiveness of particular taxes, defined as the relationship of actual collections to nominal or potential collections... If tax reforms are to be effective they must start from the position that we will all avoid taxes to the extent that there are incentives and opportunities to do so; and that many of us will also evade taxes to the maximum extent possible... It follows that tax reforms must have regard to tax effectiveness – the prevention of avoidance and evasion – as a major policy objective in its own right. (Pg. 6-7)

## APPENDIX D

### ASSET RICH/CASH POOR

- D1 A loudly voiced complaint about the present Council Tax is the alleged difficulty it causes to those – mostly older people – who are ‘asset-rich but cash-poor’. A similar objection might be made to any other asset taxation.
- D2 This objection to property taxation is primarily from people who are occupying large and valuable properties but unwilling to release their equity to pay their taxes, although happy to do so to release funds for personal expenditure or to leave an intact inheritance to their heirs. They could with equal logic argue that they should not have to pay the high costs of heating and maintaining their large properties. By seeking to avoid paying themselves, they are asking others, many of whom are worse off, to subsidise them.
- D3 Nevertheless, there are some older people who own a modest home but have, for reasons not of their own making, little to live on apart from the state pension and associated benefits. This situation has arisen through:
- The way that central government payments are allocated between local authorities  
Inadequacy of pensions  
Lack of savings amongst the elderly
- D4 Pensions have not kept pace with housing costs. It is an issue whose main link with taxation is that the present system of tax leaves the exchequer chronically short of funds and unable to link pensions to wages, partly because pensions have to compete against welfare benefits for funds. Thus existing taxes on wages tend to cause unemployment amongst the unskilled and those in marginal locations.
- D5 Lack of savings amongst the elderly is, it is suggested, largely a consequence of the present tax system. At least 45% of lifetime earnings are paid out in tax. Those renting their houses will also have paid for the land they occupy, and even owner-occupiers will for many years have paid out for land in their mortgage repayments. By retirement age most people are dependent on their state and private pensions even though they may own a valuable asset.
- D6 These are problems that would largely go away with replacement of present taxes by LVT, but it would take firm steps to implement the policy fully and several years thereafter for the ill-effects of the existing arrangements to fade out.
- D7 In D3 above, reference was made to pensioners who own a modest home but have difficulty in making ends meet. This is not a new phenomenon but the continuing increases in Council Tax have brought it to public attention. LVT will change the situation significantly as it is brought in, extended and ‘beds down’. But in the transitional period, it is possible to make arrangements for all or part

of the land value duty (site value rate) to be deferred and secured as a first charge on the capitalised value of the composite property (value of the building plus remaining capital value of the land), the debt to be settled at death or on prior disposal of the property.

- D8 With a change from present taxes to substantial LVT, what people pay for their land would constitute the public revenue, leaving them with their full earnings. Reasonable thrift and actuarially sound pensions would enable them to provide themselves with adequate savings over the course of a working life to pay the LVT for many years on the land occupied by their homes.

## APPENDIX E

### TREATMENT OF BROWNFIELD SITES FOR LVT PURPOSES

- E1 The general intention (the Campaign assumes) is that the costs of cleaning contaminated land fall on the polluter. A problem arises where, for historical reasons, this is not practicable. In such a case, arrangements may be made for the agreed costs of site restoration to be set off against the duty payable over an agreed number of years. How long is a matter of political choice.
- E2 There is precedent from experience overseas. Improvements such as levelling, clearing, and filling become virtually impossible to identify after a number of years, and at some point are considered to have merged with the land, because they have become permanent, are for practical purposes invisible, and require no maintenance. In Brisbane, Australia, this type of improvement is deemed to have merged with the land after ten years or upon prior sale, whilst in the agricultural context Denmark allows agreed costs to be written off over thirty years. Legislation can be written to provide a similar arrangement in respect of rehabilitating badly contaminated brownfield land.
- E3 If, for some reason, central or local government were to pay in whole or in part for site rehabilitation, then the owner would be allowed no abatement of the land value duty beyond the portion that related to his own contribution. LVT would recover government-funded clean-up costs from the moment the rehabilitated land again became available to the landholder.

## APPENDIX F

### SOME PRACTICAL ASPECTS OF LAND VALUE TAX IMPLEMENTATION

- F1 In addition to the information gathered by the small-scale land value surveys conducted in Britain, further experience of site-only valuations may be drawn on from abroad, where systems of land value taxation or site value rating are in operation. In this way, legislation and procedures can be studied and valuation rolls and maps examined. The development of information technology, in particular, geographical information systems (GIS) and digitised mapping would obviously be of particular relevance for the implementation of land value taxation.
- F2 In this country, land valuations were made under the heavily flawed provisions of the Finance (1909–10) Act, 1910, but the records were never published. After repeal of the provisions by section 57 of the Finance Act, 1920, the valuations were preserved in the offices of the Inland Revenue. The Finance Act 1931 included provisions for a land value tax, but, ostensibly because of the Depression, the measure was not implemented and was later repealed. When the London Rating (Site Values) Bill was presented in 1939, some lessons had been learned from earlier legislative attempts. Clearly, considerable up-dating would be required in any new proposal, but this Bill, sponsored by the London County Council still provides a useful starting point.