

**APPLICATION FOR A NEW TAX TO BE LEVIED ON  
HOUSES VALUED AT OVER £2M**

**Refused**

<b>Applicants:</b>	Mssrs V. Cable and N. Clegg
<b>Address:</b>	House of Commons, W1
<b>Occupation:</b>	MPs and Cabinet Members. Both applicants are Vice Presidents of ALTER, the Lib Dem group who advocate that taxes on wages and production should be replaced by a tax on land value.
<b>Tax description:</b>	A 1% tax on expensive houses, allowing the government to fulfil its longer-term aim to scrap the 50p income tax rate. "Owners of high value property must pay their fair share."
<b>Missing details</b>	<p>Is the tax to be a single charge or an annual levy?          Will the tax be levied on the owner or the occupier?          Will the value of £2m be the structure only or will it include land used as a garden?          Is the tax intended for all properties, including 'stately' homes?          Who will assess the value?          Will the valuations be open to public scrutiny?          On what basis do the applicants think that the owner/occupier is necessarily wealthy? It may be that a house purchased 50 years ago has risen to £2m in value but the current owner is has no income.</p>
<b>Assessment:</b>	<p>A house has two basic components – bricks and mortar and the land on which the building stands.          The bricks and mortar require constant maintenance and repair and, being man-made, deteriorate in value year-by-year.          Land, on the other hand, constantly increases in value as a result of infrastructure improvements and community growth and activity. There are a number of reasons for this – land is a finite resource and there is constant pressure to occupy central sites.          The owner of a house may improve the building and add to its value; but it is recognised that the 'property' owner does nothing to increase the land value element. The land value is created by the community.  <i>Mr Clegg says "A liberal tax system rewards work and enterprise and captures unearned wealth." We wholeheartedly endorse these sentiments.</i>          It could be argued that the land value element of a house should be deducted from the price if this is to be a 'fair' tax. Our understanding is that LVT should be based on the value of land regardless of what buildings or improvements are located on it.          We feel it incumbent upon us to point out that the failure of successive governments to tax 'property' at a fair rate is one reason why the top 10 per cent of households own more wealth than all others combined and that the concentration of wealth is most grotesque in the case of land, 69 per cent of which is owned by just 0.3 per cent of the population. Further comments on hereditary privilege and the injustice of private ownership of land are outside the remit of this paper.</p>
<b>Administration:</b>	It is difficult to see how a 'high-end property' tax could be efficiently administered. Will a valuation require an internal inspection of the premises in order to determine the value? To value all 'high value' houses on an annual basis will require extensive administration and be subject to disputes regarding depreciation of improvements and delays. It will therefore be as uncertain as the 50p tax on income over £150,000 that it is intended to replace.
<b>Certainty:</b>	If the tax is intended to be levied at the time of sale, it will, in our opinion, provide widespread opportunities for evasion and avoidance schemes that will render the tax unworkable. It is already widespread for high-value properties to be bought by a company to avoid normal rates of Land Value Stamp Duty, and it will be comparatively easy for buyer and seller to

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	<p>come to an arrangement in order to avoid the tax. There is only one way public revenue can be collected with certainty and that is to levy it on land value; land cannot be hidden or moved abroad to a tax haven.</p>
<b>Fair tax:</b>	<p>What is a fair tax? There is no such thing as a 'fair tax' as all tax is theft. The only fair method of raising public revenue is to return to the community the value it creates in land value. It is universally accepted that taxes on labour and capital act as a deterrent to production and employment, but the unique qualities of land are such that a levy on the annual rental value of land will encourage land to be put to optimal use and have a beneficial effect on society as a whole. The aim of any government should be to plan to reduce and eventually abolish all taxes on production and exchange. Land value is not only a revenue solution but also an integrated economic and effective land management solution to social problems and poverty.</p>
<b>Conclusion:</b>	<p>We consider this application to rank as one of the most misguided and ill conceived ever to be proposed. In addition it will alienate those who are rewarded because they work to produce wealth and therefore make it more difficult to introduce a just revenue system that collects land rental value. It is quite clear to us the current or selling price of a house contains a high element of land value, created by the community and that a levy on the annual rental value of land would be a far more effective method of raising revenue. Not only would this method return to the community the value it creates but it could be used to replace Council Tax, UBR, Income Tax, Corporation Tax, VAT and numerous other taxes that act as a disincentive on production and exchange. It is fair because such a levy would not take from any individual anything they have themselves created. The immediate benefits of collecting land rental value would be to stabilise land prices, deter land speculation and bring vacant and under-used sites into use. This would immediately encourage building activity to provide much needed dwelling units and help reduce the need for state benefits that merely mitigate poverty without affecting a long-term cure.</p>
<b>Decision:</b>	<p>The application is refused. On the following grounds: It is ill conceived. It will not produce sufficient revenue to relieve society of the burden of taxation on wages and production. It allows the unearned increment current appropriated by the owners of land to go unchecked and perpetuate inequality.</p>
<b>Recommendation:</b>	<p>That the applicants devote their influence and time to promoting a method of taxation to replace taxes on wages, goods and services that will have an immediate effect on demand and create employment and investment opportunities. We refer, of course, to Land Value Tax - a tax that is supported by ALTER. They should also ask themselves why there are not more 'mansions' for people to live in, why there are still so many slum premises and the reasons why there is such a shortage of basic accommodation that the State is compelled to pay rents to private landlords in the guise of 'housing benefits' (paid for from taxation) and offer bribes of 6 years Council Tax (paid for from taxation) to Councils who give planning permission to build new houses.</p>