

PRACTICAL POLITICS

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TAXES – AND OTHER EXACTIONS

Government, at national, devolved, and local level, has to be funded. A certain amount can be raised from fines or by licensing, but the bulk of expenditure is financed by general taxation on persons, businesses, or property, or by borrowing (“gilts” and National Savings, for example). Central government also has available the device of inflation, by which, in effect, it meets its bills simply by printing extra money (thereby debasing the currency).

Not all taxes are actually called taxes. There are import duties and excise duties which are taxes on goods. The term, rate, is used for the u.b.r. (uniform business rate); and rates are still collected on domestic property in Northern Ireland. The community charge was a capitation levy often referred to as the poll tax. The National Insurance Contribution is also a tax by another name, a payroll levy on employer and employee, put towards general expenditure on welfare and health care, but having none of the characteristics of a regularly funded and managed insurance scheme (let alone an actuarially sound one).

Against this, not everything that is dubbed a tax strictly is one. So-called pollution taxes are a case in point. If an undertaking has the right to release liquids, gases, or particulates in to the environment up to a specified limit, any payment exacted for exceeding the entitlement is properly a fine, akin to a motorist’s speeding offence; and if those waste disposal allocations have to be purchased, the analogy is with the fee for an annual vehicle licence giving the right to use the roads.

Land value tax is similarly a misnomer, being payment for benefits actually received and attaching to occupancy of the particular site. When implemented as fully as is practicable, LVT virtually equates with their value. It is thus better described as National Land-Rent (the term used by James Dundas White in his book, “Nature’s Budget”, Allen & Unwin, 1936).

CONTEMPORARY TAXATION: FUNNY PECULIAR

We are not just interested in bringing in the National Land-Rent, but also in exposing and repealing harmful conventional taxes. “Taxes destroy incentives and distort markets, consumer choices and business decisions, ultimately making the economy less efficient, less productive and less dynamic...The Chancellor’s ever-increasing portfolio of tax credits...has exactly the same economic effect as extra taxes” (Graham Searjeant, “The Times”, 22nd. March). “Tax credits are essentially means tested benefits” (George Trefgarne, “Daily Telegraph”, 19th. April).

Last month’s budget came replete with contradictions. Income of less than £5,000 is what the Government calls poverty, but personal allowances have been frozen at £4,615 until April 2004. The poor must thus pay tax, even though they probably subsequently qualify for a range of benefits. Yet “people earning up to £66,000 will be entitled to [the] revised children’s tax credit in the first year after they produce a baby...Mr. Brown is making more people pay more tax and then giving some back” (James Bartholomew, “Daily Telegraph”, 19th. April). This is called churning. It employs an army of unproductive bureaucrats and obliges the productive economy, unpaid, to set up and operate machinery to serve the churners.

The Government’s increased National Insurance Contributions will cost the NHS (the notional beneficiary) over £200 million, to which must be added the new financial penalty imposed on its many low-paid staff. Local government faces a bill increased by £300 million. If Government does not do the churning to give councils the money to pay with, council tax will have to be raised – a stealthy way to pay for an alleged insurance contribution! There’s more where all this nonsense came from. A new tax of £1.60 per metric ton on the quarrying of sand, gravel, and rock will raise the cost of “concrete and aggregates used to build schools and hospitals” (Anna Fifield, “Financial Times”, 30th. March). The Quarry Products Association thinks the tax will cost the construction industry about £385m – but 40% of this will be borne by public sector projects.

How much of the state pension and of welfare payments is promptly returned to the government already through v.a.t.? It is sometimes argued that the U.K. ought to impose v.a.t. on food and on children’s clothing which are not currently subjected to this impost. Although this would bring in additional revenue, it would also raise the retail prices index and, with it, government spending, as it would be necessary to pay higher levels of benefit to pensioners, the unemployed, and similar welfare recipients. Carry On Churning?

HOUSING – THEME AND VARIATIONS

(i) “Foot and mouth compensation payments have sent agricultural land and property prices soaring by 22 per cent in the past year” (Robert Uhlig, “Daily Telegraph”, 30th. April). A R.I.C.S. survey “found that demand was strongest for land that had or was likely to be granted planning permission for building homes.”

(ii) Research “shows a close link between primary school performance and property prices” (David Smith, “Sunday Times”, 24th. March). “Households pay 3.1% to 8.8% extra for each 10-point improvement in the school’s performance, based on results at the age of 11...In London and the southeast the average increase in the annual mortgage bill for moving into the catchment area of a good primary is £3,000.”

(iii) “Smart Londoners buy their town houses on the right exit routes” (David Spittles, “Evening Standard”, 24th. April). “East Devon is a favourite with those living in Acton, Hammersmith and Chiswick, and is the most expensive part of the West Country”. The location compliment is returned. “The counties of the West saw the largest increase in population of any region of the UK last year” (Tom Rowland, “Mail On Sunday”, 24th. March). “Commuting back to the South East is an attractive option for those...who only need make the journey once or twice each week, using their new home as an office for the rest of the time.”

(iv) “Because planning permission is so hard to win, big housebuilders have specialist departments to accumulate land with planning permission... Land banks are well named – for a housebuilder, they are better than money, and many make more profit from the rising value of plots than from building on them” (City Comment, “Daily Telegraph”, 8th. January).

(v) “See how the stock market rates housebuilders with the largest land banks more highly than those without them” (Will Hutton, “Observer”, 12th. May). “They should be taxed for hoarding land or units with planning permission.” Of course they should, but how? – and why just housebuilders holding land that has planning permission? The author knows about LVT, so why does he baulk at mentioning it?

(vi) “Disraeli’s Two Nations are back with us...represented by those enriched by the rising value of their house, and those made poor by buying a house” (W. F. Deedes, “Daily Telegraph”, 8th. April). “One cause is the price of land.” Lord Deedes asks whether there is anyone in the Cabinet “able to get a grip on housing policy and think up some fresh idea” – but the opposition parties are no better, are they?

LOW COST AIRLINE – LAND VALUE TAKES OFF

Owning a property in France used to be dependent on easy access from a Channel port or from one of the country's major airports. This has now changed. Low cost airlines Buzz and Ryanair serve sixteen smaller regional airports around France. "But new accessibility comes at a price. Farmhouses and villas in the Vendée area, for example, have risen in value by around 20 per cent since Buzz began flying to nearby airports La Rochelle and Poitiers last year" (Annabel Venning, "Daily Mail", 19th. April). "New cheap flights...to Nîmes and Montpellier have created a lot of interest in Languedoc", says an estate agent, and "now there's a huge demand – prices have risen by up to 50 per cent".

Obviously the rising cost of these homes is not due to any sudden increase in the cost of building work and building materials in France, but rather to the higher location value of land, brought about by the influx of eager Francophile Britons served by entrepreneurial airlines. There is of course the question of how long cheap flights will continue to cover this network of destinations. Where services are withdrawn, newcomers will be scarce in future, and doubtless some disillusioned buyers will sell at a loss. It is just a pity, for the French people themselves, that a few of their landowners will have been needlessly enriched in the meantime. It was, after all, the Physiocrats who in the 18th. Century were the first to develop a formal view of the significance of land in political economy, with their "impôt unique".

ONE STRAITJACKET FITS ALL

"A draft directive from the European Commission is circulating which is designed to stop tax anomalies across the European Union from getting bigger. If adopted, it would prohibit further increases where the rate was already much higher than the EU norm, with the longer-term aim of bringing taxes into line" (City Comment, "Daily Telegraph", 17th. April). We do not want harmonised taxes. We do not want taxes at all. We want National Land-Rent (a.k.a. LVT).

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