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MONEY DOES GROW ON TREES

In the "*Financial Times*" on 11th. March, Clare Gascoigne reviewed tree farming as an investment. The tax advantages are so mouth-watering that it is necessary to begin by referring the reader to the whole article for an overall assessment of the forestry business.

Income tax is not chargeable on the proceeds of sale of felled timber and thinnings from commercial woodlands. Roll-over relief from capital gains tax is available on c.g.t. incurred elsewhere if the money is invested in forestry land. After two years of ownership, there is 100% relief from inheritance tax. Timber itself is exempt from charge to capital gains. If the woodland is sold complete with standing timber, c.g.t. is payable, but only on the land value element.

"In practice forestry land values tend to be static . . . Also land value is an insignificant part of [the] whole investment." It may be so, especially in the more remote areas whence growers face high costs in reaching the market - location again! For all that, two important points emerge.

First, present arrangements do at least establish that land is distinguishable from developments made upon it. Indeed, two assessments of land value are required, one to establish the base-line and the other at the date of the sale, to establish the gain in the interim.

Secondly, even though the base-line land value and the untaxed portion of the increment remain with the landowner (or timber grower in his landowning capacity), present treatment for tax purposes of the business of forestry and timber accepts both the principle and the practice of the taxation of land value, albeit under the blemished, indeed unsatisfactory, guise of a form of c.g.t. It is a significant precedent.

REPUBLIC OF IRELAND: A CRISIS OF PROSPERITY

When an economy booms, land speculation takes over. People who in Ireland could until recently well afford the land for a home, are now so much better off that the price is beyond them! "The Irish Congress of Trade Unions is to seek new powers for local authorities which would allow them to buy at agricultural prices land zoned for housing" (Padraig Yeates, "*Irish Times*", 24th. May).

Peter Cassells, ICTU general secretary, is extensively quoted. 'The price of building land is a major cause of the exorbitant price of houses and of our current housing crisis. The ridiculously distorted value of land bought at an agricultural price, once it has been rezoned for housing, is the reason for much of the corruption being exposed at the Flood tribunal . . . It is morally and socially unacceptable that any individual or company should be able to blackmail the community into paying 30 or 40 times the price they paid for the land.' "Because decisions on rezonings ultimately rested with politicians, Mr Cassells described opportunities for profit-making on such a scale as creating 'an occasion of sin' which no amount of political safeguards could prevent."

The ICTU, in its understandable anger, has exposed a fundamental social problem, but the proposed solution does not provide a real answer so much as a partial palliative. The higher land value does not cease to exist merely because owners of agricultural land are not allowed to dispose of it at prices which reflect the rezoned value. If they do not get something for nothing, the purchasers do. This may suit selected local authorities, but these too are run by that same class of politicians that Mr. Cassells so despises. And what of the market for private housing? Are those ineligible for local authority housing to continue to be exploited, and are their exploiters to continue to flourish?

Land value is a truly public value - all of it, not just the increment that accrues from planning consents. It provides the natural (literally natural) source of revenue for the community. When it is collected and used accordingly, taxes can be removed from wages, from the returns to capital investment, from goods and services, and from trade. Let us hope the ICTU finds the solution.

As an example of rocketing land value, 120-acre lnishvickillane Island off the Kerry coast, bought by ex-premier Charlie Haughey in 1974 for £25,000, was put on the market for £4 million. "If Haughey can get even half the asking price, it will mean an extraordinary return" (Neil Michael, "*The Express*", 10th. April).

BRIGHTON: AN INDICTMENT OF GOVERNANCE

"Brighton & Hove and the surrounding area has won Assisted Area status... The European-granted status . . . means extra help for businesses in the area" (*Brighton & Hove Council press release PR3Q*, 10th. April).

"East Brighton has won more than £40 million to spend on regeneration under the government's New Deal for Communities . . . just a day after European Assisted Area status . . . was announced" (*Council press release PR371* 11th. April).

"Brighton is the most profitable town for business according to a survey today from business information group Dun & Bradstreet . . . 92pc of major businesses in Brighton made a profit last year" (Melanie Wright, "*Daily Telegraph*", 15th. May).

A senior analyst at Dun & IBradstreet said "Brighton's success should surprise no one. 'It has easy communication links to London and Europe and is close to Gatwick airport'. . . Perhaps more importantly for a town that boasts 300 new media companies, it has been wired up for the new economy with ISDN and optical fibre networks" (Tom McGhie, "*Mail On Sunday*", 21st. May).

"All the surveys indicate that the Brighton property market is 'on fire' right now - because so much London money and City bonuses are heading down to the South Coast" (property supplement, [London] "*Evening Standard*", 18th. April).

To list is to condemn. Where, in this welter of grant and boom, is the common sense? Who in Westminster or Whitehall, will explain to newly unemployed car workers or impoverished Welsh hill farmers, why their taxes (directly and, minus commission, via Brussels) should go to a town on the Channel coast which concurrently vaunts both the best and the worst and clearly cannot manage its own affairs?

If we may be allowed one simple point, it is that all these benefits (of location, economic activity, infrastructure, demographic movement, cash grants) are ultimately reflected in the site value of the land in Brighton. LVT, anyone?

NOT WHAT IT IS, MORE WHERE IT IS

A great house and grounds in Shropshire, on sale for £2m, would, if in Wiltshire, "be double that" (Gerald Cadogan, "*Financial Times*", 22nd. April).

LAND AND THE LONDON UNDERGROUND'S FRINGE COMMUTERS

The outer reaches of the Underground frequently stretch to attractive suburbs or even into pleasing countryside. "Local estate agents estimate that properties within an easy walk of a Tube station . . . can be worth between 10 per cent and 25 per cent more than their Tube-less counterparts, so you pay more for the privilege" (Sara McConnell, "*Evening Standard*", 22nd. March).

A "selection of some of London's best Tube-line destinations" follows. Amersham is good for the Chilterns and for grammar schools. Epping is well clear of suburban sprawl, and "Agents point out that the closure of the section of line to Ongar five and a half years ago has benefited Epping, which is now the end of the line". Stanmore, though a bit dull, is more attractive to the north and west where it starts giving way to green space. High Barnet has excellent schools and big chunks of green space.

Properly owners, in their landowning capacity, cheerfully cash in on these advantages, none of which they created, or could have created. Solid John Citizen beggars himself to endure daily commuting, perhaps even unaware that his house price has also taken into account that at the end of the line he can at least be sure of a seat. Taxes from his wages and on his purchases subsidise a Tube that cannot fund investment because so many of the benefits go to landowners who leech on to the very real profitability of the system. The Great and Good doze on.

DOES A BOOKIE PAY TAX? DON'T BET ON IT!

"William Hill, the bookmaker, yesterday said it was relocating its offshore tax-free betting site . . . from the Isle of Man to Antigua in preparation for the Euro 2000 football tournament" (Alistair Osborne, "*Daily Telegraph*", 31st. May).

On the Isle of Man, international clients pay 0.3pc tax, but "anyone from mainland Britain has to pay its 6pc rate . . . William Hill already has its telephone betting business and Internet casino based in Antigua, paying zero tax".

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