We have now had a chance to study and think about the report produced by the Parliamentary Treasury Committee, following its inquiry at the beginning of the year made under the title "Principles of Tax Policy". As we reported earlier, the case for land value taxation was presented by a large minority of the submissions and could hardly be ignored.

The report stated that

"The supporters of such a tax consider that it would tax economic rent rather than economic activity and would meet the OECD criterion that recurrent taxes on immovable property were the least harmful tax. However, as the Confederation of British Industry (CBI) notes, "the OECD acknowledges that it is politically difficult for governments to shift the tax base onto property."

The Institute of Chartered Accountants for England and Wales (ICAEW) warned 'Our initial conclusion is that even if such a move were desirable economically and let alone whether it was politically acceptable, it would involve a major rebalancing of the UK tax system which would take time to achieve, and risks introducing considerable distortions and behavioural changes'.

"Not only are there political difficulties: practical matter such as the way in which such values would be assessed and the extent to which a tax should take account of the current or the potential use of land, would also need careful consideration. We also note concerns that 'While such a tax system would avoid distortions in economic behaviour, it would be highly unlikely to yield sufficient revenue to fund socially useful expenditure without producing substantial inequity.'"

The interesting thing about these objections is that not a single one of them is valid, as the Committee would have discovered if it had interviewed one of the LVT advocates, which it did not.

To single out property taxes (LVT is not mentioned) as "politically difficult" is particularly nonsensical. Is there any tax that is not? For the past two decades, governments have had to cut the standard rate of income tax to satisfy political pressure. Recent tax changes and proposals for change such as the increase in National Insurance contributions, the 50% higher rate income tax and the raising of VAT to 20% have all been politically difficult but that has not kept them off the agenda. The Confederation of British Industry, of all people, ought to be particularly aware of the damaging effects of the present tax system and the costs it imposes on its members, not least in compliance costs such as accountancy. This, of course, provides rich pickings for members of another of the organisations to make a submission - the accountants' professional body, whom one would not expect to favour any change that took work away from them. On the principle that turkeys do not vote for Christmas, the Treasury Committee should have taken the views of ICAEW with a pinch of salt. A major shift to LVT would of course mean fewer pickings for the bean counters. Is this what ICEAW is referring to when it talks about "distortions and behavioural changes"?

The alleged practical difficulties relating to valuation are equally spurious. This was referred to in the chapter on property taxation in the report of the Mirrlees Committee. Taken as a whole, the relevant chapter is broadly favourable to land value taxation and the Treasury Committee must have made a determined effort to draw any conclusion other than it was worth further study. Members of the Campaign have been present at discussions where staff from the
Valuation Office Agency, which carries out property valuations for the government, have stated categorically that there is no difficulty in valuing land separately from buildings. It is a pity that the authors of the Mirrlees chapter apparently never spoke to anyone with practical knowledge of the subject.

Difficulties of valuation can indeed arise when the assessment is on the selling price of land, when it then becomes necessary to make assumptions about what development the planners would allow. But when the tax is on annual rental values, as the Campaign advocates, then the assessments can be based on actual planning consents, as recorded in the planning register.

"Unlikely to yield sufficient revenue to fund socially useful expenditure" is an old argument against LVT. It ignores the fact that present taxes are substantially at the expense of land values. This is obviously so in the case of existing property taxes, which come wholly out of land rental value, as could be seen when identical properties on two sides of an administrative boundary were subject to different rates of property tax, the total occupation cost being the same in both cases. But other taxes also cut into land value by reducing the profitability of businesses and consequently their ability to pay rent. Cuts in taxes would inevitably lead to increases in land rental values and maintain the ability of the land value tax base to yield the necessary revenue for the government.

We would also note that a very substantial proportion of government revenue is not socially useful but goes on the relief of poverty, which would not exist in the first place if there was a significant shift from the present taxes to the form of LVT that the Campaign advocates.

LVT is the tax that ticks all the Treasury Committees' boxes, yet that Committee never even bothered to call anyone with specialist knowledge of the subject. Instead, the Committee appears to have combed through the other submissions, determined to find excuses to kick the issue into the long grass. We do not expect any group of politicians to embrace LVT any time soon, but why can't they at least be honest and state openly the real reasons why they will not entertain the idea?