

Yet again, the British government is in trouble with tax. The Daily Telegraph business section reported today (22 July 2008) that...

"in a letter to the CBI, the Treasury apparently relented on its plans to levy new taxes on multinational companies. With two already having opted to move their headquarters away from the UK and more threatening to follow suit, the business lobby's brinksmanship appears to have paid off. The Treasury, which in 2007's Budget unveiled skeleton plans for a major overhaul of the way foreign profits are taxed, yesterday admitted that it will have to go back to the drawing board.

"At the heart of the debate is how businesses with overseas subsidiaries pay their taxes. They currently face a labyrinthine set of tax rules and guidelines to ensure they do not pay too much UK tax on the profits they import from overseas. The aim of the Treasury's reforms is to protect these foreign profits from any kind of UK taxation, in so doing dramatically simplifying the process. The plan met with great approval from businesses, until the Treasury gave more details. In particular, fearing businesses would use this new rule as a loophole to avoid tax, it announced a clampdown on certain types of companies' activities overseas."

Of course, if most taxation is through an ad valorem charge on the annual rental value of land at its maximum current use value, this problem does not arise. If the multi national company needs to occupy premises on high value land, then it makes a substantial contribution to the UK treasury through the rent it pays. If it does not need premises in a prestigious location then it pays less, since it is not occupying valuable land. Where the company chooses to locate itself is a matter for it alone to decide, just as now. Also, just as now, it pays more to occupy the more desirable location, but the difference in an LVT tax regime is that companies do not have to pay tax on top of the rent: wherever they decide to go, they pay no tax on the income received from the wealth created.

Any country whose principal source of public revenue is from the rental value of land enjoys a competitive advantage against those who levy taxes on labour, goods and services. If the others want to remain competitive then they must follow suit, but that is what tax competition is about - the best system is the one that survives.

All government ministers will have heard of LVT, if only because the Campaign canvasses every MP when they are elected, sending them a copy of [What is LVT?](#) and an invitation to subscribe to the Campaign's publication, "Practical Politics". The policy must be lodged somewhere in the recesses of their memories. Do they not realise that the present system is broken? What would be needed to bring to the surface their memory of the alternative tax system that addresses most of the problems with the present one?

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