One of the arguments used against land value taxation is that "taxes should be broad-based", sometimes expressed as "Why focus on one narrow asset class?"

Clearly, it would be silly to try and raise a disproportionate amount of tax from any one particular "asset class" (cash, buildings, jewellery, works of art, plant and machinery or share prices) as the tax base is insufficiently large to start with, the tax would erode it and the tax would give rise to harmful negative distortions.

For the same reasons, it would also be silly to try and raise the bulk of taxes from any one particular kind of economic activity (manufacturing or services or any sub-division thereof) or from any one particular kind of land use (residential, commercial or agricultural/extractive). The more focused a tax is, the smaller the yield and the bigger the distortions.

However, LVT is not a tax on an "asset" let alone an "asset class" or a "capital asset". The tax is levied on the annual rental value of land/locations", ie on that flow of wealth which would otherwise go to landlords, landowners, bankers or property speculators ("rents", whether capitalised or not) or as super-profits to owner-occupiers (to the extent not clawed back in mortgage repayments)..

Those rental values do not generate themselves. All economic, social or government activity that is profitable or beneficial overall contributes towards the rental value of land. And rental values can only be monetised because productive businesses are competing for the most advantageous locations, or the right to exploit natural resources or local advantages.

If it is accepted that that "broad based" taxes are better than narrow ones, then it must also be recognised that land rents themselves have the broadest base of all. They are derived from all the different uses to which land can be put and all the economy activity which takes place on it (which is ultimately all economy activity).

Furthermore, land rents are that element of any industry's gross profits over and above that which is necessary to sustain that industry's viability. If rents were higher than that, the economy would shut down. Rents are pure surplus (or the price a retailer pays for having a monopoly position on the High Street).

So the least-bad tax on farming is a tax on that extra income (revenue minus costs and the value of the farmer's own labour) which would otherwise go into rent or higher land prices (on average, about £20 per acre). And the least-bad tax on retail is that element of profits that would go into rents.

If, for instance, the government exempted all Crown Estate tenants on Regent Street from all other taxes, then rents would be bid up/increased by the amount of the other taxes which those businesses no longer have to pay.

Manufacturing businesses are happy to make do with marginal and out-of-town sites. They need more physical space but central locations are not so important - they need access to facilities like motorway junctions and railway sidings which make places unsuitable for residential use. Thus the tax collected from manufacturing would be minimal.

In the light of these considerations, it becomes evident that a tax on the rental value of land is as broad-based as the whole economy. It collects only the surplus arising from locational advantage, whilst causing no harm to the productive economy.

What of LVT levied on residential land? We all have to live somewhere. The least-bad tax on a household's income is a tax on that element of people's income which is paid as rent or mortgage repayments (which for an average household is the excess of income over the cost of the "basic minimum" standard of living and for higher earning households is "conspicuous consumption"). Unlike income tax, where you get nothing directly in return for paying it, the LVT is taken out of or included in the rent. When you pay LVT/rent, you get something directly in return - somewhere to live, and the infrastructure and other advantages that give your location its value.

From a simple, practical point of view, rental income (actual or notional) from land alone (excluding buildings) is a large chunk of the UK's GDP - almost one fifth, a fraction which is steadily increasing as the economy grows. It would be very much larger still if taxes on employment, output and profits were reduced - see the Crown Estates example above. It has even been argued - on good grounds - that the whole of existing taxes are collected at the expense of land rental value. This is far, far larger than any other single "industry".

Thus, land is not a narrow "asset class". Land rents, which would be subject to LVT, are a very broad-based and inherently stable stream of revenue/flow of wealth. They can be taxed with impunity at a rate of close to 100% (instead of taxing all output, wages and profits at an average total rate of approximately 50%, as at present).

Mark Wadsworth and Henry Law