

favour of local income tax<sup>2</sup>. ALTER would like to see this problem resolved by using the income tax system to collect 'notional' land rent from owners. The Party could then say it had kept its "Axe The Tax" promise while also being true to its commitment 'long term' to 'full' LVT.

The principle of taxing 'economic rent' applies not just to terra firma but to many other forms of Land as an economic factor distinct from Labour and Capital. Examples are aircraft landing slots, electromagnetic wavebands, road pricing, and carbon and nitrogen 'sinks'.

The 2006 tax policy paper *Fairer Simpler Greener* indicated Lib Dems support taxing all these in principle. However more research is needed on most of them before a fair and efficient system could be implemented.

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<sup>2</sup> The 2010 manifesto only said that there would be local income tax pilots.



THE LIBERAL DEMOCRATS

ALTER

ACTION FOR LAND TAXATION & ECONOMIC REFORM

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## LIBERAL DEMOCRAT POLICY ON LAND VALUE TAX<sup>1</sup>



Most political commentators are unaware that the Liberal Democrat Party supports Land Value Taxation (LVT).

Consequently few voters know this – nor do many of the Party's own activists.

ALTER fought a 'rearguard' action on LVT until 2005, defending a very limited and grudging formal policy position, which explicitly said that we only support Site Value Rating (SVR - see leaflet '*LVT-Local or National?*') as the replacement for Business Rates, to be levied by local councils on the value of **"all land not used for housing or agriculture"**.

Following the work of the Party's Tax Commission (2005-2007), this particularly policy was firmed up. One of nine headline points in the 2007 tax policy

<sup>1</sup> This leaflet has not been approved by the Party Policy Unit.

paper *Reducing the Burden* said we will “*Return the Business Rate to local control, and place it on a Site Value basis within one Parliament.*” We call this ‘stage 1’.

This is how the paper said it would happen:-

- o An immediate post-election announcement, stopping all work on uniform business rate (UBR) and inviting local authorities to be SVR pilots;
- o Initial site valuation in pilot areas, defining and mapping valuation zones nation-wide, provisionally;
- o Gradual shift off UBR onto SVR (25% of revenue per year) in pilot areas, with revaluation - and evaluation of pilots - in year 3;
- o Full implementation of SVR nation-wide (England & Wales only) in year 4;
- o All urban areas valued for LVT within 5 years, all local authorities setting their own SVR rates by year 5;
- o Equalisation system in place by year 4, agreed by local authorities, to replace the ‘pooling’ system of UBR. This is because some local authorities have a huge commercial land tax-base, others a very small potential yield from a similar tax rate.

Conference approved the paper, in so doing also reaffirming “**a long-term commitment to a system of land value taxation for domestic properties**”. So land valuation would proceed **for the whole country** – not just for commercial land – in due course. The entire cost of introducing the new system would be borne by central government, not local authorities. However the policy paper did not specify whether this ‘system’ was intended for national or local taxation.

Pilot local authorities would be allowed to keep any revenue, additional to budgeted, that the shift generated – and indemnified against any lost revenue.

This ‘two-stage’ policy poses some questions, which ALTER has attempted to answer. Here are some:-

1. **When is land ‘commercial’?** In ‘stage 1’, how would we treat mixed-use developments including commercially owned, residential accommodation?
2. **Is a site under development for housing but not fully occupied ‘commercial’ or ‘housing’ land?** ALTER would say that it is only ‘used’ for housing when it is being occupied by someone as their principle residence. Large sites would be valued annually, by phase of construction.
3. **Should second homes – and empty homes – be liable for SVR?** Several statements by Party spokespersons have implied they would be treated as ‘commercial’. Arguably they are not being used for housing as defined above.
4. **Would there be different tax rates for different land use classes?** ALTER strongly believes that every land use class and category of landowner should be taxed at the same rate. The valuation takes care of ‘ability to pay’.
5. **How would the tax be collected?** For UBR replaced by SVR, “return to local control” implies abolition of a central national pool. Whitehall’s role in SVR would be as ‘referee’, not account manager: supervising an equalisation system that local authorities themselves ‘own’. Local authorities would continue to do the billing, collecting and enforcing of the system locally, although now the **owner** (not occupier) of sites would be billed.
6. **How would SVR fit with a Local Income Tax?** ALTER is strongly opposed to abolition of Council Tax without at the same time introducing a national **domestic** land value tax. The Party is unclear about how – or even whether – to scrap Council Tax in