

## Is it fair?

Land (unlike goods and services) has no cost of production. If an ample supply of land of equal desirability were available everywhere, there would be nothing to pay for its use. In reality land acquires a scarcity value owing to the competing needs of the community for living, working and leisure space. Thus land value owes nothing to individual effort and everything to the community at large. It belongs justly and uniquely to the community. Conversely, the reward for individual effort can belong only to the one who earns it, to spend, save or give away as he or she may see fit.

Because of differences in positional advantages, fertility or natural resources, some locations are more desirable than others. Demand for access to these features gives land its rental value. Land Value Taxation, being assessed on these values, is fair in its incidence.

This piece originally published by The Land Value Taxation Campaign,  
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<http://www.landvaluetax.org.uk>

Liberal Democrat  
Action for Land Taxation and  
Economic Reform

Contact us at [info@libdemsalter.org.uk](mailto:info@libdemsalter.org.uk)

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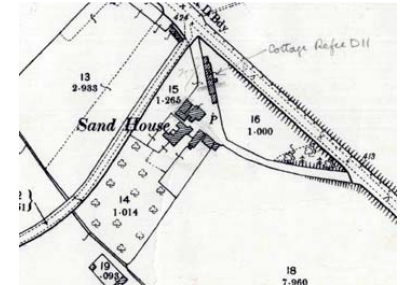


THE LIBERAL DEMOCRATS

# ALTER

ACTION FOR LAND TAXATION & ECONOMIC REFORM

## WHAT IS LAND VALUE TAXATION?



Land Value Taxation is a method of raising public revenue by means of an annual tax on the rental value of land. It would *replace*, not *add to*, existing taxes. As explained below, this elementary fiscal measure would go far towards correcting fundamental economic and social ills.

The value of every parcel of land in Britain would be assessed regularly and the land value tax levied as a percentage of those assessed values.

Land means the site alone, *not counting any improvements*. The value of buildings, crops, drainage or any other works which people have erected or carried out on each plot of land would be ignored, but it would be assumed that all neighbouring properties were developed as at the time of the valuation; other things being equal, a vacant site in a row of houses would be assessed at the same value as the adjacent sites occupied by houses.

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The valuation would be based on market evidence, in accordance with the optimum use of the land within the planning regulations. If the current planning restrictions on the use were altered, the site would be reassessed.

### What are the advantages of Land Value Taxation?

**A NATURAL SOURCE OF PUBLIC REVENUE.** All land makes its full contribution to the Exchequer, allowing reductions in existing taxes on labour and enterprise.

**A STRONGER ECONOMY.** If we tax labour, buildings or machinery and plant, we discourage people from constructive and beneficial activities and penalise enterprise and efficiency.

The reverse is the case with a tax on land values, which is payable regardless of whether or how well the land is actually used. It is a payment, based on current market value, for the exclusive occupation of a piece of land. In the longer term, this fundamentally new and different approach to revenue raising will stimulate new business and new employment, with reduction in the need for costly government welfare.

**MARGINAL AREAS REVITALISED.** Economic activities are handicapped by distance from the major centres of population.

Conventional taxes such as VAT and those on transport fuels cause particular damage to the remoter areas of the country.

LVT, by definition, bears lightly or not at all where land has little or no value, thereby stimulating economic activity away from the Centre. It creates what are in effect tax havens exactly where they are most needed.

**A MORE EFFICIENT LAND MARKET.** The necessity to pay the tax obliges landowners to develop vacant and under-used land properly or to make way for others who will.

**LESS URBAN SPRAWL.** Because Land Value Taxation deters speculative land holding, dilapidated inner-city areas will be brought back into good use, reducing the pressure for building in surrounding rural areas.

**LESS BUREAUCRACY.** The complexities of Income Tax, Inheritance Tax, Capital Gains Tax and VAT are well known. By contrast, Land Value Tax is straightforward. Once the system has settled down, landholders will not be faced with complicated forms and demands for information. Revaluation would become relatively simple.

**NO AVOIDANCE OR EVASION.** Land cannot be hidden, removed to a tax haven or concealed in an electronic data System.

**AN END TO BOOM-SLUMP CYCLES.** Speculation in land value frequently misrepresented and disguised as property or asset speculation is the root cause of unsustainable booms which result periodically in damaging corrective slumps. Land Value Taxation, fully and properly applied, knocks the speculative element out of land pricing.

**IMPOSSIBLE TO PASS ON IN HIGHER PRICES, LOWER WAGES OR HIGHER RENTS.** Competition makes it impossible for a business producing goods on a valuable site to charge more per item than one producing similar goods on less valuable land.

After all, producers and traders at different locations are paying different rents to landlords now, yet like goods generally sell for much the same price and employers pay their workers comparable wages. The tax cannot be passed on to a tenant who is already paying the full market rent.

**AN ESTABLISHED AND PROVEN SYSTEM.** Local government variants of Land Value Taxation, known as Site Value Rating, are accepted practice in, for example, Denmark and Australia.