



THE LIBERAL DEMOCRATS

ALTER

ACTION FOR LAND TAXATION & ECONOMIC REFORM

LAND VALUE TAX: LOCAL OR NATIONAL?



Land Value Taxation (LVT) is any tax or levy based on the value of a site, location or piece of land [see “What is LVT?” in this series].

Debate in the Liberal Democrat Party has referred to ‘Site Value Rating’ (SVR). SVR is simply the local version of LVT: LVT assigned to local government. ‘Rates’ are local property taxes. Many countries have Income Tax at a national level and a local income tax alongside it. Similarly it is perfectly feasible to have both SVR and LVT: a local tax and a national ‘rate’.

Every tier of Government can contribute, through its decisions and actions, to some element of land value at any particular location in the area it governs. Therefore every government – from parish ‘upwards’ – ought to be allowed to tap into the revenue stream it helps create, so as to ‘recycle’ Common Wealth as a ‘renewable’ Resource.

ALTER says: LVT is an appropriate tax for any and every level of government.

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LVT as a local tax: pros

- The tax base is both immobile and local by its nature. Hence most countries assign property taxes to local government.
- In the UK, we have always had 'rates' based on property values – and Council Tax is just a 'bastard' form of rates. So SVR would not be as radical a change as LVT used nationally.
- Planning decisions, made locally, are perhaps the most obvious source of changing land values. At present, to give permission is 'NIMBY costly' for the Planning Authority, whereas refusing is 'free'. Alignment between decision and cost/benefit ought to be closer.
- Local governments know their area best: local knowledge results in better valuations and land use decisions.
- 'Everywhere is local': local government can make a place better or worse and should be rewarded accordingly. Land values reflect the economic performance of communities and the quality of their governance.

LVT as a local tax: cons

- Some local authorities are much richer than others, which is reflected in land values. Poorer areas would have to set a higher rate to raise the same revenue per head – as happens with all local property taxes without some 'equalisation'.
- Decisions by national (or any 'higher') tier of government can have a huge impact on local land values.
- As a purely local tax, LVT would have much less impact on national and regional economies.
- There needs to be nation-wide consistency in the design of the tax and in the method of valuation etc.

LVT as a national tax: pros

- National government invests huge amounts in ways that can benefit or harm land values everywhere. So why not allow Whitehall, as well as Town/County Hall, to recover that investment equitably and, simply, compensate those harmed?
- The introduction of nation LVT would reduce the productivity imbalance across the country, relieving the over-heated south-east while encouraging growth in less favoured regions.
- The large pool of land value, currently hardly tapped at all by central government, would enable it to abate other regressive 'deadweight' taxes significantly.
- There are already several ways in which property is taxed nationally. Most are dysfunctional and should be replaced by LVT.
- LVT is actually taxing current site-only **rental income**, so could be included within the existing Income Tax system – as used to happen with 'Schedule A' until the 1960s.
- A central tax administration system costs far less than many separate local systems, whereas....
- 'Precepting' is a simple, well tried and understood concept and could provide a basis for the tax at lower tiers of government with minimum cost and full accountability.
- Under the UK Constitution, it has to be national government that legislates for changing any tax.

LVT as a national tax: cons

- It would be seen as Government taking away a natural local tax base – or ‘double taxation’.
- It is politically much harder to overcome the massive lobbying against a national tax change.

ALTER’s proposal

We believe that LVT should primarily been seen as a national tax, because it has so many benefits that can only be realised if adopted early on nation-wide. However it should be available to all tiers of government.

It is unreasonable to put central government to the expense of designing a new tax system without an initial commitment to have LVT as a nation-wide tax, at least for all of England & Wales (Scotland and N Ireland would need separate legislation).

We believe LVT could be incorporated within simplified and modernised Income Tax and Corporation Tax systems, similar to Sweden. If the ‘real estate’ assets of every UK-based legal entity are known, then all existing property taxes – national and local – could eventually be replaced by LVT.

Liberal Democrat

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