

LANDSCAPE

THE NEWSLETTER OF ALTER : ACTION FOR LAND TAXATION & ECONOMIC REFORM



EDITORIAL

Nick Clegg hit the nail on the head at the Birmingham conference. The Tories are indeed the first offshore political party.

So three cheers for the Liberals, the only party that is serious about UK independence! Independence from Australian media moguls. Independence from US military adventurism. And independence from a legislature that the Tories would stuff with shadowy businessmen whose only allegiance is to overseas tax havens.

The Tories no longer have a commitment to Britain. They are the party of rootless tax avoiders, opportunists who have no loyalty to any society or any country. Yet opportunists who expect, as of a right, the taxpayer to bail them out when their gambles go the wrong way.

Forget independence from Brussels. What about independence from Belize?

BIRMINGHAM CONFERENCE ENDORSES MANSION TAX

Until now, Vince Cable's Mansion Tax has been like the poor relation in a Jane Austen novel. A bit of an embarrassment, not a full member of his family, but somehow worthy of house room. All this changed completely at the 2010 Party Spring Conference. Mansion Tax has been overwhelmingly endorsed by conference as a fully fledged member of the Liberal Democrat family of policies.

Julia Goldsworthy opened the debate with a frank admission that the Mansion Tax proposal had come as a complete surprise last autumn. However, she urged conference to accept a policy motion that introduces mansion tax on houses worth over £2 million.

ALTER has been consistently supportive of mansion tax. Although it is not a land value tax, it performs the extremely valuable task of introducing the concept of progressive property based taxes into the public mind, and ALTER regards it as a first step on the path towards full Land Value Tax.

ALTER Chairman Tony Vickers explained to conference that we would like it to be introduced as a national tax, since it would be unfair to councils that do not have high value homes in their area. Secretary David Cooper emphasised the social justice case.

Mansion Tax was made the subject of a separate vote by Conference, because it was 'new' policy – unlike the other measures in this year's "Fair Tax" motion. **The section on mansion tax, like the motion as a whole, was adopted by an overwhelming majority of votes.** Several people came up to ALTER's stand afterwards to say they had found the Cooper/Vickers contributions to debate useful, and had influenced the way they voted.

INSIDE: Catherin Hodgkinson writes about manufacturing

How the Property Burden hurts Manufacturers

By Catherine Hodgkinson

Since so called 'free market' economics became the strait jacket of government policy under Thatcher, and has only been fractionally loosened under the current regime, UK manufacturing has continued its seemingly inexorable decline. The extent of that decline was illustrated only too vividly recently in an interview which Sir Anthony Bamford, the chairman of JCB, gave to the 'Financial Times'.

Sir Anthony, whose company epitomises much that is best about British manufacturing, revealed that only just over one third of the components of the famous JCB digger are now sourced in the UK; the exact proportion is 36%, compared with 96% some thirty years ago. Over the years JCB has been at pains to try to sustain its UK suppliers but clearly it has been fighting a losing battle. It is a sobering thought that if this is what has happened at JCB, the decline in UK suppliers for many other UK based manufacturers, especially those that are overseas owned, may be even more precipitous.

It is hoped that the current weakness in sterling will lead to a revival in manufacturing but if we are now increasingly dependent on imported components, the cost of those components will increase, thus blunting any competitive edge we may gain on the pound's depreciation. The hope must be that the UK component suppliers will be sufficiently revived to be able to expand their productivity and their product range to meet an upturn in demand. This, however, looks like a pipe dream. Would they and their bankers have the confidence to invest for the longer term? It seems unlikely.

So what is the solution? Perhaps we should begin by asking why did decline occurred. Clearly economists will have a whole raft of reasons for the erosion of the UK manufacturing base. Many industrialists would single out taxation as a major contributory factor. There is no doubt that manufacturers

have had to bear high levels of taxation on several levels and, especially on their employees. But, perhaps, it is not so much about taxation as a whole as the wrong sort of taxation.

The UK has some of the highest land values in the world and little has been done to address this problem; indeed few seem to see it as a problem. One of the most disheartening aspects of the recent crisis has been the eagerness with which so many embrace any sign of a resurgence in the housing and wider property markets as an indication that things are 'getting back to normal'. Yes they are, and with it they are sowing the seeds of the next crisis.

There is little doubt that high land values have done much to undermine UK manufacturing. Many of those component suppliers on which JCB and others relied so much did not own the sites on which they worked; their landlords closed down the manufacturing and sold the land at vastly inflated prices to supermarket chains and others. Of course, even when these suppliers owned their own sites they were also subject to the same temptation of selling the land for sums which probably greatly exceeded the profits they were likely to achieve over several years of endeavour. The temptation to take the secure money and run was often too hard to resist.

As land values rise again, the precious little that is left of UK manufacturing will once more be subject to the same pressures: landlords looking to increase their rents or, eventually, to realise the value of their assets, and employees who will need more and more wages to keep a roof over their heads. What solution is there but taxing land values?

Catherine Hodgkinson

on Birmingham Fringe

Birmingham 2010 will go down as ALTER's most successful Spring Conference ever: the stall sold a record number of books and took more new member subs than ever; and the fringe event had a higher number of young non-ALTER attendees than ever.

FRINGE We teamed up with Liberal Youth to explore why "Tax Injustice for the Young" was making them 'iPOD' – insecure, pressured, over-taxed and debt-ridden. Advertised speakers Don Riley (libertarian South London property entrepreneur and author of *Taken for a Ride*) and Ashley Seager (of the *Guardian*) were unwell and urgently called away respectively. However former Young Liberal Exec member and now PPC for Reading East Gareth Epps stepped in to speak about how the Party's Tax Commission of 2005-7 had attempted to put more youth-friendly measures into its proposals. Along with ALTER Chair Tony Vickers, Gareth had pushed without success for the 'sacred cow' of Local Income Tax to be dropped. At very short notice, the current Vice Chair (Membership) of Liberal Youth Paddy Elsdon of Exeter spoke for the current iPOD generation from the platform – unaided by any prior knowledge of LVT or ALTER (he bought The Book afterwards!). The highlight of the event was a speech by Lynne Featherstone MP, the Party's Spokesperson.

STALL ALTER had a 'prime site', next to the tills of the café! By making the stand look simple and clear, with an attractive graph of wealth vs. income next to piles of just the one book, we seemed to do more business than ever at the short spring conference.

How can build on the very positive experience of Spring 2010? Most of your subs go on booking a fringe meeting venue and an exhibition stand at the twice yearly Federal Party gatherings.

**Last chance to get ALTER'S New Book:
"The Case for a New People's Budget"**

In the autumn issue of Landscape we first publicised our newly published book, with a foreword by Vince Cable, "The Case for a New People's Budget.

The first print run is nearly sold out, so now is the time to get your copy!

The book sells at the remarkably low price of £5 and copies can be obtained from Catherine Hodgkinson, 51 Demesne Furze, Oxford, OX3 7XG. Please add 50p for postage costs within the UK.

Contact email: DemesneF51@aol.com.



Do it now!

Sign the Number10 e-petition

<http://petitions.number10.gov.uk/TaxLess4more>

Join ALTER and fight for tax justice

Visit our website at: www.libdemsalter.org.uk, Or write to:
Catherine Hodgkinson, Membership Secretary, ALTER,
51 Demesne Furze, Oxford, OX3 7XG

MANSION TAX: QUESTIONS & ANSWERS

We are letting our members see a draft of the Q&As before offering it to Party HQ and the Treasury Team for distribution.

Q1. What is MT?

MT is a tax based on the market value of large single-family domestic properties, paid annually. Currently Lib Dem policy is to levy it only on that portion of value over £2m of homes valued more than that, at a rate of 2%. So the tax liability on a 'mansion' worth £2.5m would be £10,000 p.a.

Q2. Why wasn't MT in the Tax Commission's recommendations to Conference in 2006/7?

The Tax Commission briefly discussed whether to retain a residential property tax when scrapping Council Tax (which was a 'given'). However it was thought that any new domestic property tax would confuse voters and dilute the impact of Local Income Tax. Vince Cable suggested MT but this was seen as 'soak the rich' tokenism which would raise insufficient revenue.

Q3. Why has MT now been supported by Conference, when there was such a fuss?

The 'fuss' was caused by Vince announcing MT without consulting colleagues, after the Tax Commission had specifically rejected it. Another 'aspiration' of the Commission, strongly supported by Conference, was raising the income tax threshold to £10,000. This was deemed unachievable unless there was some kind of tax on the most wealthy. MT is seen as the most appropriate such 'wealth tax', since most personal wealth is in homes – and property cannot be exported or hidden to escape tax.

Q4. Why does ALTER support MT, when it clearly isn't 'proper' Land Value Taxation (LVT)?

MT could be regarded as a very crude form of LVT, with a very large tax-free 'Homestead Allowance'. Over two-thirds of the value of any 'mansion' is in the land it sits on. ALTER supports MT only if it is honestly promoted alongside the Party's longer-term policy of LVT – as another step in that direction.

Q5. How would MT work?

The Valuation Office Agency (VOA) already monitors all house prices and should hold records of estimated current values of all 'mansions',

which will be Band H properties under Council Tax (CT). It may have to inspect some properties more often, especially if they are thought to be valued at around £2m. Appeals could use the existing Valuation Tribunal system.

Q6. Who would pay MT – and to what level of government would it be paid?

Owners, not occupiers, would be liable to pay MT. Ownership would need to be established by the Land Registry (LR). This would not need primary legislation and accords with the plan to complete the registers in England & Wales by 2015. (In Scotland and N. Ireland, the Registers are complete.)

ALTER strongly recommends that all of it goes to central government, since it is intended to replace an element of national income tax – enabling the raising of the threshold.

It is unlikely that there are many 'mansions' occupied by tenants. In such cases, the tenant would have no liability to pay.

Q7. What do other Parties say about MT?

Not known. Many Labour supporters would like to see a higher band of CT, which has similarities to MT.

Q8. Would MT be retained if Council Tax is scrapped, as is current Party policy?

MT does not affect CT. If CT is abolished by a future Lib Dem government, MT would remain. However the work of VOA would be drastically reduced, possibly making the cost of administering MT higher. MT might be incorporated in national LVT, which could have a local element by LAs 'precepting' into the tax base.

Q9. How does MT differ from LVT?

With LVT, the value of buildings on a site is discounted. This encourages owners to improve their properties and make best use of land within the limits of planning law. The whole site value is taxed, whereas with MT the first £2m in value (which includes much of the site value) is tax-free.

Q10. What about the income-poor resident of a 'Mansion', who 'cannot' pay MT?

Hardly anyone owning a £2m home is unable to pay 2% MT from income. Only 1.7% of all occupiers of Bands F-H homes are on any kind of benefit. Renting out just part of any 'mansion' would yield much more income than the extra tax owed. It will also give a big incentive to house more people in such properties.

Q11. Does MT exist anywhere else in the world?

No – but nor does council tax!