shared ownership housing can result in such homes (and the land they occupy) rising towards ‘normal’ market value.

Therefore a housing charity that owns legally designated ‘affordable’ housing is to an extent protected from the full costs of LVT, without resort to additional tax relief measures such as special rates applying to charities. However with HA, unless the charity offers a share of the underlying equity to its tenants – making them part owners – it cannot benefit from HA.

Two unexpected political benefits of HA therefore are [1] that landlords will need to change their relationship with tenants in order to reduce their liability for LVT and [2] that tenants can more easily set foot on the ‘housing ladder’. In offering a share of equity up to at least the HA threshold in value, the tenant can benefit from HA (paying little or no LVT) while the landlord reduces their LVT liability by the same amount.

In summary, HA can overcome one of the main political obstacles to introduction of LVT – but it can only do so fully if property and income - as well as local and national – tax systems are merged. It can lead to a healthy blurring of the divide between home owners and renters, landlords and tenants. LVT would revitalise our home owning democracy, as well as our economy.

Homestead Allowance- Protecting the Asset rich, Cash Poor

The introduction of Land Value Tax (LVT) would unfairly put financial pressure on individuals who have arranged their affairs so that a large part of their wealth is tied up in domestic property, but have very limited income: the so-called “poor widow” problem.

Successive governments have, for years, encouraged the perception that domestic property is a safe and low-tax method of saving for old age, and many people have in good faith arranged their finances accordingly. If LVT were levied at any significant level, their assumption would be turned upside down. There is an ethical argument that it is simply wrong to overturn the financial plans that government have encouraged individuals to make.

There is also the practical political difficulty that a section of the population that has a history of high voting turnout would be
implacably hostile to LVT. For this reason ALTER proposes a Homestead Allowance (HA) as part of LVT.

We are all familiar with the idea of a tax-free element of earned income. A Homestead Allowance (HA) is simply a tax-free element of taxable property or land value. It is widely used in the North America, also in Taiwan. It generally applies only to the principal owner-occupied residence of the taxpayer.

There are several elements to the ALTER proposal, which link to other features of our plan for implementing LVT. We propose that initially LVT replaces Council Tax but that it should also eventually be a national tax enabling further raising of income tax thresholds and possible amelioration (or scrapping) of some other national taxes.

1. **As a local tax** - the replacement to Council Tax alone - the level at which HA is set ought to be decided by the local authority that levies the tax. This is normally the ‘Billing Authority’ (District or Borough) which is conveniently also the Housing Authority. It therefore knows and operates the Local Housing Allowance (LHA) which is based on the local private rented housing market and is linked to Housing Benefit. The LHA largely reflects local land values.

   The HA should also be linked to LHA, so that it would be higher (in cash value terms) in a high value land/housing area than a less prosperous area. HA could be expressed as percentage of LHA.

   In a multi-tier area, parishes and county councils – as well as police and fire authorities – would set their own precept (rate) of LVT (known as the Site Value Rate) but the Housing / Billing Authority would set the HA level for all local authorities in its area.

2. **As a national tax**, there would be a single national HA set by the Chancellor in the Budget, not linked to LHA but supplementing the local HA and expressed as a percentage of the national LVT rate. Therefore in a higher land value area it would be worth proportionately more in cash terms than in a low value area. The Scottish Government would be able to vary this national HA rate.

3. **Tax allowances (earned income and HA) would be transferable.** Although the administration of earned income tax and LVT would be merged, the two taxes are separate. If the individual’s income is less than the HA, then LVT liability will be reduced by the difference. However apart from this allowance, LVT is a ‘flat tax’, charged as fixed percentage of land rental value, quite unlike income tax. For such administration to work, LVT must be a national tax.

   In this way a ‘poor widow’ whose earnings are below the HA but whose home (land site) is worth more than HA can offset some of her taxable LVT so the imposition of LVT does not reduce her income below the HA. If property tax is administered nationally (as already the case in Sweden, for example) this is very easy: the taxpayer would simply have to enter the details of properties they owned, specify their principal residence and (if they are an owner-occupier) the tax authority would calculate the HA. With all earned income on the same form, the calculation of overall tax (earned income tax and LVT) is simple.

   The central administration of LVT doesn’t remove the autonomy of every level of government to set its local tax rate or decide spending levels and priority but it does suggest a considerable saving in tax administration costs overall, once the reforms have been implemented.

4. **Treatment of social and private rented housing.** Provision of low rent housing is a valid charitable purpose and if land is designated for that purpose via enforceable restrictions, its value is reduced accordingly. In most cases, planning law designates such land in perpetuity, although Right-To-Buy and