

British Commonwealth

Australia, New Zealand and South Africa have all adopted forms of LVT, at state and local government level, as an option. All Australian states except Tasmania still use it. So do many Commonwealth nations in the West Indies and East Africa.

A few towns near Melbourne tax land alone, the rest of Victoria opts for a property tax with the same rate on land and buildings. The 'land taxing' towns exhibited a noticeable increase in new business start-ups between 1974 and 1984 (when government ceased to publish the data) compared to other towns (+10%, compared to -20%).

Denmark

Denmark has had LVT for local government since the 1920s, hence was prepared for it at national level when the Justice Party, whose main plank was LVT, entered into a "Ground Duty" coalition in 1957. A year later, all economic indicators were looking positive, although the sharp rise promised in LVT had not yet been implemented: the mere threat had incentivised land development. Despite this, all the Government parties lost seats at the 1960 election and the Justice Party was wiped out. LVT continues to be levied at a local level at around 2%.

Lessons from the Ground Duty Government are: (a) landowners can always afford a vigorous anti-LVT campaign; and (b) supporters must emphasise tax shifting – reducing other taxes and minimising numbers of 'losers' is vital early on, however beneficial LVT is for the economy or notions of 'justice'.

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Action for Land Taxation and Economic Reform

Author: Tony Vickers

Contact us at info@libdemsalter.org.uk

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ACTION FOR LAND TAXATION & ECONOMIC REFORM

LAND VALUE TAX: INTERNATIONAL EXPERIENCE



There is limited experience of Land Value Tax (LVT) in countries that compare with the UK. In its pure form (see "What is LVT?" in this series) it is almost unknown. Nevertheless there is considerable evidence that policies similar to LVT work. Some examples follow.

East Asia: Hong Kong & China

When Britain took control in the 1840s, The Crown resolved early on to retain freehold of the colony for itself. Hong Kong Island, then Kowloon and the New Territories, became a model for how to create a successful free enterprise economy without relinquishing 'common wealth' in land. On average, about 40% of Hong Kong Government's annual revenue (including most infrastructure investment) comes from land values.

The Land Premium, the process by which most of this is raised, is far from ideal. Whenever Government wants to expand the built-up area (70% of Hong Kong is still undeveloped), it auctions a lease – usually at least 25 years – on a 'design and build' basis to developers. In return for a huge up-front payment that is too large for all but the

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richest bidders, the successful developer gets to build an entire town. However only a handful of developers can afford the high payments and the industry is a cartel. Revaluations are becoming less reliable and irregular, which reduces value capture via other property taxes.

Revenue from Land Premium also fluctuates with the global property market cycle and the Government has responded by greatly increasing reserves, which has reduced the revenue available to spend. Nevertheless half the working population pays *no income tax*, start-up businesses benefit from very low taxes – and public welfare is relatively generous for Asia. A small cash Citizens Dividend is also in prospect for every adult.

China appears to be following Hong Kong's lead, and little land is sold outright. Other regimes in the former Chinese imperial sphere of influence (Taiwan, South Korea, Singapore) have also 'socialised land rent' by various forms of land taxation, which has assisted their economic growth. Sun Yat-Sen – a follower of Henry George and founder of Nationalist China - had considerable influence on policy makers before and after Communism's dominance in the region.

Former Soviet Union

Among Henry George's adherents in the late 1800s was Leo Tolstoy, whose influence on emerging Russian democracy was considerable.

When the Soviet Union turned towards a market economy in the early 1990s, some 30 top economists in the US wrote an open letter to Gorbachev, asking him to retain land and natural resources as a source of public revenue. His successor Yeltsin followed neo-liberal IMF advice in selling off most of Russia's natural assets. Economic and social consequences for all but the new mafia and a breed of super-rich oligarchs were dire.

Meanwhile the Baltic States all rapidly moved to develop a genuine free property market but without relinquishing land as an important source of revenue. In this they were supported by

experts in LVT from the US and Scandinavia. In the Lithuanian general election of 2005, it was the Conservative Party that fought strongest for LVT: it saw the policy as a key component in creating an enterprise economy.

Estonia has a state-level LVT which is fully assigned to local government. The rate is set by each local council at a rate between 0.1% and 2.5% and very little land is exempt. It is said to have contributed to the high (90%) proportion of homes and farms that are owner-occupied, which conforms to theory – since landlords would pay the tax and not be able to pass it on to tenants.

North America

American cities have a great deal more freedom to choose between different taxes than local authorities in Europe. A study by Tideman & Plassman looked at how cities in one state (Pennsylvania) which have adopted a higher rate of tax on land than on buildings compare in economic performance, over a 30-year period, with those that have not. The conclusion was that for every one percent shift off building value onto land value there was a 16% increase in the value of construction permits issued. This measure is roughly equivalent, in UK, to the value of planning permissions awarded. But planning permission privatises land value uplift; only when construction takes place does the community benefit, unless there is LVT.

The former mayor of Pennsylvania's state capital Harrisburg, Stephen Reed, claims the policy of 'tax shifting' was largely instrumental for his city being 'turned round' in the period he held office and promoted it. Harrisburg went from being America's second-most 'distressed' city in 1980 to winning awards for regeneration.

Other US states have followed suit: Virginia, Connecticut, Maine & Vermont. More are in the process of legislating to allow tax shifting.