

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 should belong only to the one who earns it, to spend, save or give away as he or she may see fit. 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.

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This piece originally published by The Land Value Taxation Campaign, adapted by P Elderton and M Godden

<http://www.landvaluetax.org.uk>

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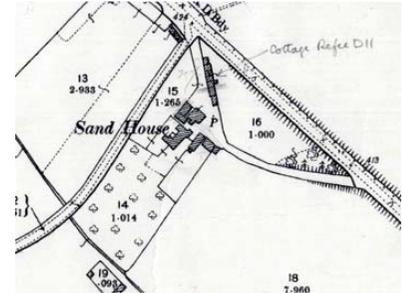
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### WHAT IS LAND VALUE TAXATION?



Land Value Taxation is a method of raising public revenue by an annual tax on the rental value of land.

Most existing taxes (income tax, VAT, stamp duty) are levied when money happens to be changing hands. They complicate these transactions and raise costs all round. LVT is different. It charges a rent when individuals claim exclusive use of a commodity which is a basic community asset - land. Here, "land" means the site alone, not counting any "improvements" such as buildings, crops, drainage or other works. A vacant site in a row of houses is assessed at the same value as the adjacent sites occupied by houses, and the quality of each house makes no difference to the level of tax.

Whereas characteristics of land such as mineral deposits or natural fertility affect its value, in the modern world the most important factor is location. The value of residential plots depends on the amenities in the neighbourhood, closeness to a city centre, local employment opportunities etc. Commercial site values depend on access to

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customers, a skilled workforce etc. 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.** 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. Landowners will no longer be able to keep land out of use to increase its price, as property developers do today. LVT will stimulate new business and more house-building, 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 bears lightly or not at all where land has little or no value, thereby stimulating economic activity away from the centre. It will reduce the economic dominance of London and the southeast.

**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, VAT, Council Tax and UBR 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, dampens down the speculative element of land pricing.

**IMPOSSIBLE TO PASS ON IN HIGHER PRICES, LOWER WAGES OR HIGHER RENTS.** Rents are already as high as landlords can extract from their tenants, and competition keeps both prices and wages fairly uniform across the country. So it will not be possible for landowners to pass the new tax on land on to their tenants, customers or employees.

**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. For more information refer to ALTER's leaflet 'International Experience'.

### **WAGES WILL BE FORCED UP AND RENTS FORCED DOWN**

As more land is brought into use there will be better opportunities for small businesses to be set up and to thrive. As people are more able to be self-employed, wage levels will rise from their present lamentably low level. As more houses are built, house prices and rents will fall. (Some transitional help may need to be given to people with large mortgages.)

### **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