

Now a top Tory says: Tax value of land!

THE CONSERVATIVES have been in power since 1979. Seventeen years was a long enough time to enable an enlightened government to introduce sensible policies that benefit the community. In all that time, the Tories have systematically plundered the public sector for the benefit of a relatively few lucky people. The two notable examples:

- ☒ **The poll tax.** This was an attempt to eliminate the last direct tax on the rental value of land. As such, the Thatcher government was logically responding to the trend of history that extends back centuries. The abolition of the local rating system was the final step to be taken in the process of privatising the community-created rent of land.
- ☒ **Privatisation of public industry.** The Treasury is said to have raised about £65bn from the privatisation of nationalised enterprises. What the government does not tell us is that it has given away for nothing vast quantities of valuable land, the cost of which will be higher taxes on people's earned incomes in the future.

But now, after 17 years in power, the Conservative government is reflecting on the wisdom of imposing a tax on the 'super-profits' from housing built on greenfield sites. In other words, now that the Tories know that they are going to lose power at the general election next April or May (the polls put Labour at 20% ahead of their Conservative rivals), the government is getting round to thinking about the benefits of raising revenue from the rental value of land.

For that is what they mean when they talk about the very large profits that can be made from developing rural sites for housing. John Gummer, the environment secretary, is said to favour this proposal. He believes that it is simpler and easier to administer compared with alternative approaches to encouraging builders to develop 'brown' land in the cities.

Britain will have to try and build 4.4m homes in the next 20 years. Mr. Gummer would like half of these houses to be built on recycled urban sites. The logic of the tax on greenfield sites is that these are cheaper to develop. The Civic Trust has for some years proposed a tax on vacant urban land to encourage these sites to be brought back into use, and is now throwing its weight behind Mr. Gummer's favourite idea. The Trust states that a tax of 10% would raise the price of the average house by only 4% but would raise around £200m a year.

IS IT a coincidence that the Tories have postponed discussion of such a departure from conventional fiscal policy until the date at which many of its backbenchers have already begun to pack their suitcases in order to take up permanent residence in places other than Westminster? Many MPs know that they

will lose their seats at the election. Would a Tory government be flying this new tax kite if it thought it was going to be re-elected? For, as the correspondent of *The Daily Telegraph* noted on December 2:

The tax on landowners who profit from selling agricultural land for housing ... is bound to be especially controversial because of the chequered history of taxes on land speculation.

There is no doubt that land taxation is a minefield for policy-makers. Successive Labour governments in the postwar years have botched their attempts to capture the community-created value of land for the public benefit.*

We now know from the hints being dropped by Mr. Gummer that the Tories would also botch its efforts if it got back to power at the election. For Mr. Gummer says that his government is also considering giving financial incentives to help builders reach his target of constructing 60% of the homes needed over the next two decades on previously developed land. Proposals for such incentives have been withdrawn from public discussion by the government because of the risk that these would be linked to the budget debate on November 26. These incentives include tax breaks and the adaptation of the enterprise zone model.

These incentives would be disastrous. We know from the history of the last 17 years that tax breaks are simply reflected in the cost of land - prices rise, encouraging an excitement in the land market among investors who then begin to speculate. And the history of enterprise zones has been such a chequered one: they have helped to disfigure city centres and have added to the conditions that made land speculation profitable at the expense of people who need to use the land.

But it is fair to assume that the Tories will not be placed in the position by Mr. Gummer of having to fight their traditional friends, the country landowners. Nevertheless, officials in the Department of the Environment have been doing their homework and are preparing options for urban land development in readiness for whoever forms the government after the election. They need to do much more homework: Gummer's rural land tax would merely repeat the errors of previous Labour governments. The solution is a very simple one: a charge at a uniform rate on all land in the United Kingdom irrespective of its use and whether it is being used. If that charge were set at a high enough rate, it would fulfil Mr. Gummer's aspirations (housing development on city sites) without raising the price of housing.

* V.H. Blundell, "Flawed Land Acts, 1947-1976", in *Land and Taxation* (editor: Nicolaus Tideman), London: Shephard-Walwyn, 1994.

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