

■ ANNEXE SIX

LVT in Practice

Tony Vickers has conducted research (2000; 2002) that concentrates on the main proposal to introduce site value rating (SVR) as an annual tax to replace the extant rates system (property tax). (The proposals from Chapter 10 that fell outside of SVR were deliberately left out of Vickers's research.) The complete version of Vickers's input is found in Appendix B.

The principle issues in Vickers's research included: the technical and administrative measures necessary for the introduction of this form of LVT; the processes involved; and implementation proposals, including the design and operation of smart-tax pilot schemes in selected parts of the U.K., perhaps coupled with BIDs (business improvement districts), to act as test beds for national adoption of LVT within a suggested time scale.

Vickers's Route Map

Vickers organised a postal survey of property tax stakeholders that tested whether LVT in principle would indeed be acceptable in Britain today. Interviews and correspondence were also conducted with valuation and other experts on the basis that a national land valuation for taxation was both practically and politically possible.

The survey reaffirmed the case for a gradual approach to implementing LVT. Vickers also found an overwhelming degree of ignorance about current systems of governance, property taxation and land information management and strong support for the idea of piloting LVT in one or two areas before making any decision about nationwide implementation.

Technology and Administration

The technology available to make any property tax system more efficient is constantly improving, thanks to geographic information systems (GIS). Britain is well placed to provide, within three to five years, a complete, consistent, accurate and up-to-date set of spatial data objects that represent the totality of the U.K. land mass. In general, technology is both pushing governments away from conventional taxes on mobile transactions and entities and pulling them towards property taxes, especially LVT.

From an administrative standpoint, there is a good case for using pilot programs to devise the best practice in an area of public life that is as complex as property taxation. Over time, static tax assessments can become unfair, which supports the case for frequent reviews.

LVT Processes

The first logical stage in administering LVT is to identify parcels of land and units of tax assessment. The present UBR, based on occupancy, does not require site ownership to be identified, whereas an LVT system would need to.

Two linked processes follow the identification of parcels and owners: physical measurement and assessment of value for tax purposes.

Gradually Improving Administration

If LVT were to be phased in alongside other local taxes, gradually replacing UBR in particular, it would have the administrative advantage of not requiring existing proven systems to be adapted radically. They could be allowed to fade away once LVT was proved to work well.

Starting LVT in just a few areas, using pilots, and at an initial low rate to test new systems would be advantageous to a sudden nationwide change. In pilot areas having a large proportion of vacant and underused land, regeneration effects would also increase the overall property tax take.

Criteria for selecting pilot areas might include:

- status of local authority information systems (especially for land use and economic performance);
- level of economic distress;
- degree of support from business community; and
- “fit” within overall geographic spread of all pilots.

Implementation Proposals

Smart-Tax Option

A smart-tax option is intended to suit areas in need of urban renewal. Vickers recommended that smart-tax pilots be permitted as part of a continuing implementation of Urban Task Force (UTF) fiscal recommendations. Business improvement districts (BIDs) might provide an ideal opportunity to implement smart-tax pilots on a smaller scale.

Vacant Land Tax Before Smart-Tax Pilots

The UTF recommended a vacant land tax (VLT), levied annually, as a highly effective measure to stimulate urban renewal in areas suffering dereliction and

blight. It seems appropriate that if government announces its intention to introduce LVT and invites pilot smart-tax bids, it should also announce that it will first introduce a VLT for the whole U.K.

Summary

We propose a gradual approach, and we suggest that this whole range of measures (local, regional and national LVT) may take 15 years to introduce.