LAND&LIBERTY

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message from a longtime contributor

Most of the reports and letters about the potential harm of the change in IHT have referred to the fact that the return on capital employed in farming is less than 1%. The cause of the inflated price of farmland is the perverse tax policies of all governments over the last 45 years which have favoured investment in landed property with generous tax breaks.

In 1979 I wrote to the Chancellor, Geoffrey Howe, who was reported to be planning to exempt farmers from Capital Gains Tax when they sold land for development, provided that they invested the money in more land within 3 years. I told him that this would increase the price of land, attract speculators to invest and make it impossible for young entrants to obtain land. Any commodity which is in limited supply and is rising in price always results in further increases in price. A reply from the Treasury told me that the points I made would be noted but the Chancellor went ahead with his plan, no doubt influenced by the farming lobby.

Mrs. Thatcher's Government in the 1980s accelerated the rise in the price of landed property when she sold council houses at give- away prices and allowed banks to provide mortgages. This diverted money away from productive industry and into housing which became a more attractive investment. Since the 1980s the high price of urban houses has contributed to the rise in the price of farms. In the past a farmhouse was insignificant when estimating the sale price of a farm. Now the house may be worth more than half the farm's price.

Until governments accept that the present tax system needs to be radically reformed, all the dreams they have to remove poverty and ensure prosperity for everyone, will always be dreams and never become reality. The detrimental taxes on earned incomes and trade should be gradually reduced and then abolished. The burden of taxation could be placed on the annual rental value of land, urban and rural, which would be sufficient to provide for all the necessary functions of government. Urban land is only about 10% of the total area but it has about 90% of the total land value and would contribute most of the annual rental value.

Increased economic prosperity will be only be ensured through incentivizing the use of land to its optimum potential and reducing the costs of employment and trade.

The government's focus on charging Inheritance Tax on the inflated price of farmland which was caused by interference, through government tax policy, in the market for land, is peevish and will not produce much revenue. The large estates which are owned by family trusts will not be caught, neither will farmers who have already provided for transfer to the next generation and those who have not, have time to start the 7 year avoidance process before April 2026.

The increase in NIC will have a greater impact on farmers than the change in IHT, directly through their own employment costs and indirectly through reducing amount of money consumers will have available to buy their produce.

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