

# When You've Paid Your Rent, You've Paid Your Tax.

by Gavin Putland



"So what's a Georgist?" you ask. A Georgist (or at least a "full-on" Georgist) is someone who says there should be no taxes except those on land values, payable by the owners — and is keen to explain that "land" doesn't include buildings. (It does include natural resources, monopolies and statutory cartels; but those details affect only a minority of businesses.)

Under a full-on Georgist system, a typical business on rented premises never hears from the tax man, ever. You don't pay income tax on your profits. You don't pay payroll tax on your workforce. You don't collect personal income tax owed by your employees. You don't collect GST/VAT from your customers or pay sales tax on your sales. You don't pay stamp duties on your insurance premiums. If you rent your premises, you don't pay council rates or property taxes; they're your landlord's problem (and are levied solely on the land value).

In short, under a full-on Georgist system, if you're on rented premises you simply pay the rent, out of which the landlord pays the tax on the land value. When you've paid your rent, you've paid your tax.

"Ah," you say, "but how does the landlord's tax affect my rent bill?" By reducing it. The landlord's tax is payable on the value of the land, not on the rent actually received. So the tax is payable whether the premises are rented or not. So the landlord must find and keep a tenant in order to get income to cover the tax bill. That's a strong incentive not to ask for too much rent. Moreover, in order to find and keep tenants, landlords need to build accommodation if they haven't already done so, and doing so doesn't increase their tax bills. That tends to increase the supply of accommodation and thereby reduce rents.

The tenants don't have it all their own way. Prospective tenants compete against each other to lease premises. So if they no longer pay tax or incur compliance costs, the competition will tend to raise rents. This is not a tax being shifted from landlords to tenants, but rather a benefit being shifted

from tenants to landlords. But, because the land-value tax increases the pressure on landlords to find and retain tenants, it strengthens the bargaining positions of tenants relative to landlords, so that only some of the benefit for tenants is competed away. The Georgist reform, like any tax reform, has its costs and benefits. But for renters at least, the benefits outweigh the costs.\* Even your landlord is better off in terms of time, and "time's money". The land-value tax is simply a periodic bill to pay. There's no income-tax return or "business activity statement" or other tax-related record-keeping.

Under a full-on Georgist system, if you're a typical business tenant, you never hear from the tax man in your business capacity. Whether you hear from him in your personal capacity depends on whether you own any other land. If the only land that you own is under your home, you still probably pay less under a Georgist system than under the present system, because your interests as a land owner are probably outweighed by your interests as a building owner, business operator, and consumer. This is especially the case when you consider "How income tax feeds into prices".

To say nothing of the fact that a Georgist system leads to more income and wealth because it doesn't penalize productive activities. The land-value tax is on owning the land, and whoever owns it will not be penalized for doing anything with it, but will be obliged to do something with it in order to generate income to cover the tax.

Needless to say, a Georgist system makes residential accommodation more affordable in the same way that it makes commercial accommodation more affordable. So if you rent your home and aren't a full-on Georgist, you likewise need your head read. And if you rent both your home and your business premises and aren't a full-on Georgist, then, if my arithmetic serves me correctly, you need your head read twice.