

EFFICIENT, EFFECTIVE LVT IMPLEMENTATION

This article assumes an informed policy decision has been made to introduce an annual Land Value Tax (LVT) on all land in the UK with each site valued according to its optimum permitted use with a poundage (percentage rate) to be applied to all sites.

Issues that will need to be researched and addressed include:

- *What name to call the process for the collection of land rent?*
This article uses "Land Value Tax" (LVT)

- *Which taxes to be abolished and reduced?*

LVT can be introduced to replace negative taxes or in stages

- *The timescale for implementation*

LVT will need to be implemented expeditiously

- *Legislation needed*

This will depend on the aims of government implementing it

- *Methodology for calculating site values*

There are plenty of land valuation experts in the world to consult

- *System for appealing valuations*

There needs to be an appeals system in the interest of fairness and transparency

- *Method for collecting LVT annually*

In the UK, local authorities could be the collecting agents receipts passed to Treasury but with local government having the power to determine their own local element over and above the Treasury's levy

- *System for redistributing and equalising income fairly to local authorities*

- *The percentage of the annual rental value of land to be collected nationally with freedom for local authorities to set their own rate*

- *Should LVT be revenue neutral in terms of total monies collected from taxes it is to replace or in terms of current sums paid by individuals due under the existing tax system?*

KEY STAGES FOR IMPLEMENTING LVT

- *Information and training*

It is essential that accurate, clear and honest information is prepared at all stages to properly inform MPs, media, public and businesses and all staff who will be concerned with implementing the policy. It can be anticipated that the media will not support the policy and will flood their outlets with scare stories and misinformation. Obviously good and relevant training is essential for an efficient and speedy transition.

- *Registration of all land*

The UK land registers need to be completed so that the owner and their contact details, permitted use and size of every parcel of land is known. It is the writer's opinion that the Land Registry and all of its functions should remain in the public sector with all information transparent and open to all.

- *Valuation of every parcel of land*

For the purposes of LVT it is important to exclude buildings from the valuation so that only the location value (or land value) is being taxed. This ensures that companies and persons are not penalised for creating or improving buildings on appropriate sites with planning permission.

Similarly, land under empty buildings or idle development sites should not be exempted from LVT which will encourage their owners to occupy buildings and bring permitted developments forward for completion.

Each site needs to be valued annually according to its optimum permitted use. "Permitted use" is the use that the community, through the planning process, decides the land should be used for and "the optimum use" is the actual use that generates the most rent within the limitations of the permitted use.

There are many jurisdictions in the USA, Australia and Denmark that value land separate from buildings or other improvements at regular intervals using valuation skills and modern computerised and Global Positioning System (GPS) technologies.

- *Rate of levy to be applied to land value*

The percentage levy on the annual rental value of each site (the poundage) will depend on the speed at which the government of the day wishes to replace current property taxes and reduce harmful taxes and their economic and social policies.

- *What is the current value of all land in the UK and how much income will a shift in taxation to LVT collect?*

The UK government provides no clear, up-to-date or accurate data on the total value of land in the UK. However, an estimate of all land value as £6.2 trillion is shown below based on information used by the Office of National Statistics and elsewhere. (For further details see 'Welfare for the Rich' by Heather Wetzel <http://www.labourland.org/wp-content/uploads/2015/10/Heather-Wetzel-Welfare-for-the-Rich-June-2015.pdf>). Of course, these estimated values are based on the UK's current tax system and would be considerably more if the UK's tax system were changed to LVT.

Total UK tax receipts were about £648 billion for 2014-15 of which property taxes raised around £69 billion: Business Rates raised £29 billion; Council Tax £26 billion; Stamp Duty £8 billion and a further £6 billion in Capital Gains and Inheritance taxes.

Without allowing for the economic effect arising from the abolition of Business Rates and Council Tax or any reduction in existing taxes, and using the limited information available, estimates suggest an introductory 30% levy on the annual rental value of all land according to each site's optimum permitted use would generate an income of circa £92 billion.

However, because all taxes, grants and subsidies are inversely related to land values (as shown in the 2015 OECD paper "Reforming the Tax on Immovable Property: Taking Care of the Unloved"), as the government replaces or reduces current taxes, the amount of land value would increase by that amount and more because the economy becomes more efficient in currently under-invested areas.

Land Use (60m acres total)	Capital value of land	Annual rental value of land at 5% of capital value	LVT at 12% of annual rental value	LVT at 15% of annual rental value	LVT at 20% of annual rental value	LVT at 25% of annual rental value	LVT at 30% of annual rental value
	£	£	£	£	£	£	£
Agriculture & forestry	325,500,000,000	16,275,000,000	1,953,000,000	2,441,250,000	3,255,000,000	4,068,750,000	4,882,500,000
Woods, marshes, heath	0	0	0	0	0	0	0
Residential (all)	4,600,000,000,000	230,000,000,000	27,600,000,000	34,500,000,000	46,000,000,000	57,500,000,000	69,000,000,000
Commercial (all)	900,000,000,000	45,000,000,000	5,400,000,000	6,750,000,000	9,000,000,000	11,250,000,000	13,500,000,000
roads, non-commercial etc	0	0	0	0	0	0	0
*Previously developed sites - Residential	230,000,000,000	11,500,000,000	1,380,000,000	1,725,000,000	2,300,000,000	2,875,000,000	3,450,000,000
*Previously developed sites - Non-residential	100,000,000,000	5,000,000,000	600,000,000	750,000,000	1,000,000,000	1,250,000,000	1,500,000,000
TOTAL	6,200,000,999,999	307,775,000,000	36,933,000,000	46,166,250,000	61,555,000,000	76,943,750,000	92,332,500,000

Table 1. Estimated income from a Land Value Tax (October 2015)

MAIN OBJECTIONS RAISED AGAINST A SHIFT TO LVT


The biggest objection to LVT is the ‘asset rich income poor widow’. (It is worth noting that her ancestor was used as an objection to abolishing slavery because she too was an asset rich widow whose husband only left her with three slaves).

There does need to be a fair answer to situations where an owner-occupier lives in an area where land value have risen to such a level where LVT payment would be greater than currently paid under Council Tax. Such situations will not be great and the simple solution is for any difference between the Council Tax bill and LVT levy to be rolled over until the home changes hands.

Consequently, work urgently needs to be undertaken to compare each home’s current Council Tax bill with the estimated payment for different levels of LVT applied to a variety of situations including (a) replacing current property taxes; (b) replacing current property taxes and reducing National Insurance, Income Tax and VAT.

There are supporters of LVT who suggest options that leave out all residential homes currently paying Council Tax (2% of total land area) in order to avoid voter hostility or apply different rates of LVT to homes in London in order to address the issue that some will pay more under LVT than they pay under Council Tax.

This paper does not include such options on the basis of economic efficiency, fairness to non-property owners and keeping the system simple, transparent and not subject to ‘loop-holes’.

The number of non-property owners is estimated to be over 40% of adults (see Table 2 below) and in London over half of adults are tenants. These people equally generate land value through the taxes they pay and the goods and services they consume. They do not receive windfall gains that property owners receive as land prices rise but their rents do rise leaving them worse off and, in many cases, force them to move to less convenient areas where rents are cheaper. This is not fair and LVT offers an end to this economic and social injustice. 

Figures used to justify leaving out owner-occupied homes from LVT	
Total population in UK	63,578,415
Total adult population in UK	49,974,344
Total households in UK	26,400,000
64% owner-occupied homes	16,896,000
36% rented homes	9,504,000
Figures we should be using when discussing who benefits/suffers from rising land values	
20-34 year-olds living with parents in 2013 ³	3,300,000
35-65 year olds living with parents in 2013 ⁴	510,000
Older adults living with children etc	?
Lodgers ⁵	950,000
Shared homes (that only count as ‘one household’ for Census/ONS stats)	(900,000 homes) Over 900,000
Families living in other households	(1.3m families) Over 1,300,000
Communal living adults	500,000
Tenants total for UK	13,200,000
Estimate of number of adults who are not property owners in UK	Over 20.7 million (over 42% of adult population)

Table 2. Adults who are not property owners (October 2015)

A list of frequently asked questions with answers is published on the website of the Labour Land Campaign: <http://www.labourland.org/faqs/>

3) <http://www.ons.gov.uk/ons/rel/family-demography/young-adults-living-with-parents/2013/sty-young-adults.html>

4) <http://www.ons.gov.uk/ons/rel/family-demography/young-adults-living-with-parents/2013/sty-young-adults.html>

5) http://www.pearslaw.co.uk/ard/enews_article.asp?ID=3233&AID=1256&CID=2