

Site Value Would Be Better and Fairer than Property Tax

by Victoria White



THE Government thinks we are too thick to understand the site value tax.

They think we would get our heads around a property tax based on the value of our properties much more quickly.

It wouldn't be as good, mind. It would promote bubbles and speculation. In fact, it would rely on them, because the more the price of property went up, the higher the percentage tax could go. It might feel like the heady days of stamp duty!

Site value tax would be much easier to administer than a straight property tax because the value of a site is relatively static, whereas the value of a property changes rapidly. With a straight property tax, you could end up with an inspector wandering around your house saying, "Lovely marble on that bathroom floor, I'm going to have to bump you up to the next tax band."

Which doesn't seem very clever, does it? Taxing you more because you've invested in your property? You might have invested to make space for more people. You might have built a granny flat, or put your son and his partner in the attic extension, creating more accommodation for our growing population without contributing to urban sprawl. And more employment for a construction sector gasping for it.

And surely the stupidest thing about taxing the value of a property is taxing it for the measures the owner has taken to improve its BER rating?

Say you've invested in exterior insulation and put in solar panels, with the help of Government subvention funds which have so far cost the taxpayer over €300m.

You're feeling toasty because your house has an A rating. But that makes it more valuable and liable to a higher property tax. Seems idiotic to penalise you for measures you've taken with Government support to benefit the environment. And seems even more idiotic if you're a green energy contractor sitting by the phone.

It's true that though the site value tax would be harder to introduce than a tax on the value of your property because you'd have to establish the value of sites. And while most people have some idea how much their home is worth, they would find it hard to calculate the value of the site.

This problem isn't impossible to fix, even in the short term. Ronan Lyons of the Smart Taxes Network has made an interim estimation of per acre value in different bands working from valuations on daft.ie.

But, listen. You're thick.

You really couldn't understand the idea of a site value tax, even if it is a tax which would benefit the wider economy. That was the view of the Commission on Taxation in 2009 and it looks like the current Government agrees.

“Seems idiotic to penalise you for measures you’ve taken with Government support to benefit the environment.”

I’ll tell you how SVT works and you’ll quickly see that your poor brain isn’t able for it. Instead of taxing your home’s market value, you tax the land the house is on. The rationale for this is that it is the value of your site — where you are — which largely determines the value of your property. Your house is worth more if it’s close to services. If it’s close to a train line or a jobs-rich town or a beautiful beach.

All these things cost money to build or protect. Your wonderful location is actually created for you by the efforts of the wider community. With SVT, the better your location is, the more you pay back to the wider community which services your site.

The beauty of this tax is that you’re not taxed more for using your site well. You’re taxed the same. So you’re incentivised to improve your property to make more money out of it. And if you’re sitting on a derelict site or a landbank, you’re incentivised to build or get off the pot.

And that means land stops being hoarded by speculators, but instead gets used to house people. Which is fair, because it is our land, a limited resource, our shared home.

The words of that Dolores Keane song keeps playing in my head: “It’s the land that feeds our children/You cannot own the land/ The land owns you.”

You can accommodate elderly people on low incomes living on huge sites in different ways. In Denmark, payment can be deferred until the estate is wound up. And although the idea of moving elderly people on is not attractive, taxation should encourage the best possible use of land. If more elderly people downsized, there would be more family houses in established neighbourhoods and so less commuting for families. You can also compensate large families who live on bigger sites by giving each person a green space allowance which is tax-free.

You would think that a country which had made international headlines for its speculation on property would be gagging to show the world it can introduce a site value tax, which has been used to some degree in Canada, Australia, New Zealand, Denmark and elsewhere. The tax would give local government a steady stream of income, instead of boom/bust-prone development levies.

But although SVT was ushered into the 2009 Programme for Government by the Green Party, the Irish Commission on Taxation’s report in that same year said “it would be very difficult to communicate to home-owners and land-holders.”

How difficult is it to communicate? Would the Department of the Environment give me a job? The SVT was in the Programme for Government agreed by Fine Gael and Labour only last year. A new expert group of departmental officials was set up this year to come up with a plan for a property tax and its report is due to be published soon. It must be, because the new tax is going to be introduced in the middle of next year.

The Smart Taxes Network thinks the Government has not published the findings because they recommend the SVT, though this is denied by the Department of the Environment. Smart Taxes thinks the Government doesn’t want SVT because they reckon we’re too thick to understand it.

Alright, I see their point. Fine Gael watched us swallow the Five Point Plan, of which my personal favourite was “Fix the deficit.” Mitt Romney — a man who really knows how to underestimate the intelligence of an electorate — followed Enda Kenny’s lead this week and unveiled his own Five Point Plan.

Quite honestly, you can’t blame our Gour intelligence. But even I, the ultimate maths dunce, can get my head around site value tax. And if I can understand it, nearly anyone can.

Is it them that’s thick, not us? Or are they cleverer than we think they are?

There are many well-endowed property investors in the political and judicial establishment. Could it be that there’s a powerful lobby for keeping the land banks and the derelict sites and the ghost estates empty in the hope that we might have another boom and they could be sold at exorbitant prices? A percentage of which might then go back to the Government by way of a property tax.

Could it be that they like the feel of bubbles?