

One thing we have learnt this week – land value tax

Posted on August 03,2018 by admin

Image not found

walled garden This site supports all sorts of tax reforms, a citizens income, a carbon ration and also a land value tax. What has the land value tax got to do with the environment? I'll come to that but first a brief history of local taxation in the UK. In the beginning was the rates. Actually I'm not sure this was the beginning but was certainly the system of local taxation as I knew it. Property had a rateable value set by local government (notionally based on the property value). The owner then paid a sum each year. The money was meant to go towards local services although gradually over my lifetime the amount of money collected locally has declined and now most (about 80%) of money spent by local government comes as a block grant from central governments in the UK. With austerity this block grant has been cut back hard meaning huge cuts to services. The rates system seemed to work reasonably well it wasn't widely popular but there were no major uprisings against it. Then came Thatcher. Mrs Thatcher didn't like local government. She did everything she could to undermine it. The Tories didn't like the rates system at all. They thought it was paying for local government excess with the wealthier paying more. The official objection (which I will return to below) was that for a little old lady in the big house who was cash poor it was unfair. The Adam Smith Institute in Scotland came up with the idea of the "poll tax" a flat rate tax *per person* not *per property*. In other words a millionaire would pay the same a dustman (as it was put at the time). Scots Tories persuaded Thatcher to introduce it in Scotland a year (1989) before England (1990) (in pre-devolutionary times). It went down like a bucket of cold cyanide. The Scots refused to pay. The English rioted. (Those are the only major national trait differences in my view). The whole debacle helped (along with Europe!) bring down Thatcher. John Major came to power and realised he could not win an election with it in place. Civil servants who presumably were working off their own bat came up with a fusion of the rates and the poll tax called the council tax. This was based on the property value with bands A-H but each person resident pays. There are exceptions and discounts for single people. In the lower bands (A) the tax is reasonably progressive but at the top end its capped so those in huge mansions pay the same as someone in a smaller expensive house. With Labour in power the tax went up (higher than inflation) with the Tories back in it was squeezed again (meaning cuts in local services) (the increases set by national government). Its never been popular but the main problem was governments in the UK (post devolution) have feared revaluing the bands (with the exception of Wales and that was in 2003). In Scotland the Nats toyed with the idea of a local income tax. This was a misnomer it was an additional national income tax that would have been collected by Holyrood and then parcelled out by them to local government giving them a stranglehold over local government. Luckily it was dropped. Here we stand with no one very happy. The Department of Economics at Oxford University has had another look at the idea of a Land Value Tax (LVT). This idea is used in Singapore (Denmark?) amongst other places. The idea is that you tax the value of the land, not the property on it. This pure LVT has been toyed with by some political parties in the UK such as labour in the past (they are thinking about it again). The main objection to it is that of the little old lady above (remember her) and the fact that would be at a higher rate than the council tax. However in Denmark where I believe its used you are allowed to defer it until you die then your estate pays it (this has some disadvantages in my view but could be tweaked). How much you would pay depends on the % of the land value is set at. The clever people at Oxford have come to a scheme that avoids the "garden tax" middle England Daily Mail headlines. The tax would have three elements. An element based on the value of the land, an element based on the % of the land built on and an element based on the eco accreditation of the buildings on it. The first would encourage developers to stop sitting on land they own waiting the value of it to rise (land banking) and would ease the housing crisis. A land value tax would also its believed slow down house price rises. The second element would protect green space within cities and the third would encourage the nations housing stock to become more eco friendly. The authors

make a lot more suggestions to fix the UK's broken housing market and the [whole proposal](#) can be seen here.
Neil

Posted in:Lifestyle,One Thing We Have Learnt This Week,Practical Low Carbon Living,Uncategorized |
Tagged:Economics,Land Value Tax | With 0 comments