

# Why look further than a Direct Tax on Land Values ?

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THE ADMISSION by Mr. Denis Healey that the proposed Development Land Tax legislation will be very complex and "outside the general arrangements for the taxation of companies or individuals," suggests that the Government has a mind to set up a special body to collect the tax, perhaps on the lines of the Land Commission of the Development Levy Board, which all people in close touch with land and development agree could spell disaster.

The problem behind any legislation to control the use of land is that politicians are unable to accept that the ownership of land and any development which takes place on it are two separate functions.

As far as the Labour party is concerned, property and land speculation is now firmly entrenched as part of its more doctrinaire policies. And the introduction of land nationalisation legislation appears to be one of the less contentious ways for the Government to placate the Left wing of the party.

The principal objectives of the legislation set out in the White Paper — Land — are to enable the community to control the development of land in accordance with its needs and priorities and to restore to the community the increase in value of the land arising from its efforts. The Government intends that in England and Scotland, the acquisition and disposal of land should be vested in local authorities and that in Wales, an all-Wales body should be set up.

The proposals relate to all land that is required for houses, shops and factories but not for land which is to remain in use for agriculture or forestry. The intention is that all land required for development or redevelopment shall be bought by the appropriate authority at current use values without any enhanced value from the prospect of any future development.

## Virtues of the land-value tax

The dangerous folly of the proposed legislation is that its principal objectives could be brought about by a simple tax on the value of the land itself without the introduction of another ill-thought-out bureaucratic device which will not bring one single acre of development land on to the market without a long and involved battle over its value.

The existence of some valuable under-used or badly used land is no reason to set about nationalising all land needed for development. The primary reason for land not being put to its best use is surely because

landowners are encouraged to keep valuable land idle or under-developed for speculative gain. The Land Hoarding charge introduced by the last Conservative government failed because it only applied to land which already had planning permission. There was no incentive to put development land without planning approvals to its best use.

Our present taxation and rating system exempts the enhanced value of such land from taxation. What greater inducement could there be to the fullest use of all land than lifting taxation from development and enterprise and placing hefty taxes on land values?

A tax on houses, cars, machines or any other manufactured goods brings with it the tendency to diminish production. Tax land — and there will be no less available, for land is not produced; it is always there. But a direct tax on land values would ensure that all land was put to its best use. The landowner would pay tax on his land irrespective of what it was being used for. If he was lazy and allowed his land to stand idle he would pay the same tax as the man who put his land to the maximum use.

But as the earnings of the enterprising landowner would compensate for the land value tax he paid there would be real incentive for all landowners to get the maximum benefit from their holdings.

## Nationalisation not the answer

Supporters of land nationalisation will argue that under a system of land value taxation the community would still not control development land and that developers and landowners would remain in a position where they could dictate what type of development or use the land is put to.

It is in this area of the development field where the need for positive planning becomes apparent. The authors of the White Paper on Land appear to accept that local authorities are the best judges of what is best in planning. This is not surprising as most politicians only have experience gained as members of a planning committee of a local authority to draw upon.

The streamlining of our planning machine, which is currently under review by Mr. George Dobry, Q.C., on behalf of the Department of the Environment, should be implemented before any steps to nationalise land are taken.

The other strong argument put forward by those in favour of land nationalisation is that local authorities will make huge financial gains from the scheme outlined in the White Paper. They suggest that by buying

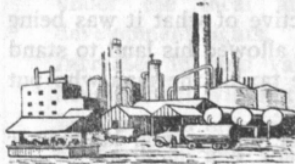
land at existing use value and then selling leases at market price will be a lucrative business. That presupposes that developers will be willing or able to carry out schemes where they do not own the land, or have the advantage of some of the enhanced value gained from their endeavours.

The White Paper indicates that the success of its proposals rests with co-operation between local authorities and developers. There will need to be safeguards to ensure that such close co-operation is possible before it has any chance of being successful.

But above all the fact that local authorities will sell or lease sites to developers at market values means that the land element in the cost of houses to sell will be just the same as without land nationalisation, surely not what the architects of the White Paper had in mind.

At the time of publication of the White Paper, Mr. Anthony Crosland told a Press conference that the proposals had been prepared with great speed. Indeed the woolliness of the arguments contained in the document bear this out.

## OIL SHALE RUSH AND A COLORADO TOWN



TWO oil companies, bidding \$210-million last year to lease a 5,000 acre Federal shale tract have started off an oil shale and real estate boom in Rifle, Colorado. "Real estate speculators" says the *New York Times* in a recent article, "swooped in like shock troops." Local communities are concerned about what will happen to their land, their communities and their way of life. (Their way of life includes unlocked doors, unlocked cars and unwritten debts.)

"At worst" says *The New York Times*, "Rifle could swell to a rural ghetto stuffed with raucous outsiders living in unplanned strings of roadside house trailers and hovels."

Rifle's population could swell from 2,290 to 20,000 over the next fifteen years.

The real estate company, First Colorado Corporation, led the rush into Rifle by buying up all the property it could find — more than a quarter of a million dollars' worth in the small city leaving no individual lots on offer. Prices have doubled. Agricultural land is fetching \$10,000 an acre.

The spill-over of population from Rifle will mean the building of new towns in the surrounding areas to house up to 100,000 people.

"The key question," says *The New York Times*, "is where does all the money come from to build all the schools, parks, libraries, hospitals, fire and police departments, government buildings, water and sewer

systems, roads and streets to serve them all? They can't be taxed until they arrive."

It has presumably crossed no one's mind that the most equitable, most natural way of paying for all the local services would be to tax the main beneficiaries of the services and of the oil shale — the owners of land.

To tax the residents after they have already been "taxed" by the land owners for permission to reside is to heap injury upon injury.

### Not Helpful

A PROPOSAL to put even further patches on our battle-worn rating system is put forward by the Association of County Councils in its evidence to the Layfield Committee of Inquiry into the future of local government finance.

The Association proposes a local surcharge on Income Tax (LSIT) to supplement existing rates which would be modified so as to impose different levels of rates on domestic and non-domestic properties. The system would operate by means of a percentage surcharge on the income tax actually payable, and would, says the Association, meet the criticism that rates are at present not spread "fairly" among the population.

This hybrid proposal seems to be seeking the worst of both worlds — the continuing taxing of buildings and improvements and the complications of a local income tax with its repercussions on earnings, taxation relief, allowances etc., not yet thought out.

Grants from the central Government, says the Association of County Councils, should continue — though at a reduced level.

Not, we think, a very courageous or helpful contribution to the debate.

### Helpful

FOR anyone with the interests of local government — and the survival of local autonomy — at heart, the idea of transferring to central government the revenue responsibility for whole services must be anathema. . . . There are two ways in which Layfield might allay the fears of those among us who suspect that, even after eighteen months' deliberations, the inquiry may produce a mouse no bigger than the 1971 Green Paper. First, it might offer an immediate challenge to those who have been advocating the idea of a local income tax by issuing in advance of its final report the presumed reasons why such a tax would not work. That might at least help to bring forward the public debate which must come at some time, and the sooner it is held, the better.

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