

## ***Land value taxation is not a panacea***

### *Transcript of Richard Murphy's Video*

*Land value tax is something that has been promoted for a long time and which I've never really got to grips with. Let's be clear why.*

*The proponents of land value tax like to claim that it is the universal answer to all taxation problems because land is in finite supply, we can always identify who owns it, it's always here in the UK, therefore we can tax it, no one can avoid the charge, and what is more, this is the fairest way in which to levy all taxation, because all of our wealth, apparently, is derived from the land.*

*First of all, let me say, I don't think all of our wealth is derived from the land. I think a lot of our wealth is derived from our labour. There is no doubt that we use inputs from the land in that process, but to claim that somehow or other the only one of the factors of production that needs to be taxed is land is, to me, very odd.*

*I also think it very odd that we claim that we do not need to tax labour because if we were to do so, then I believe that the capacity of a government to raise revenue would be severely diminished, and I do wonder whether those who promote land value tax also have that agenda in mind. I don't believe it is possible to raise that much revenue from land.*

*I also, in practice, have major problems with the ways in which land value taxation works.*

*Let's be clear, land value taxation is not like a council tax. Council taxes, as all those who pay them in the various countries of the UK, and each has a different system, will know are quite conceptually different.*

*For example, in England, where most people will be paying council tax inside the UK, land values haven't been re-rated since 1992, which is pretty absurd because, for example, the house in which I am recording this video was built in 2003, but it does nonetheless have a 1992 valuation for council taxation purposes, which doesn't really make sense.*

*But land value taxation makes this problem with valuation even more difficult to understand. Land value taxation is not charged on the value of a property, which most of us can pretty much get our head around because there is a fairly identifiable price for most properties in the UK without too much difficulty now being required to establish it. I can go on to Rightmove or Zoopla and get a fair idea of what my house is worth. But that is not what land value taxation charges to tax. Land value taxation charges the rental value of the land underneath the property. And that is something quite different.*

*The purpose of this is to create a charge to tax that is on the value of the land, whether or not there is a building on it. In other words, what you're trying to charge is the value of the land itself.*

*But, none of us really understand the difference between the value of our property and the value of the land on which it stands. We are not used to undertaking that valuation. And there would be significant confusion if all the properties of the UK were revalued in this way because people would say, what does that mean? There would be enormous numbers of appeals against values as a consequence and a feeling of disquiet as to what that value might be.*

*And the charge to tax on this made up, guessed, assumed, estimated, use whichever words you will, value, will be very hard.*

*I have seen a recent proposal that has suggested it should be used to make good the shortfall that Rachel Reeves supposedly has in her budget of £22 billion a year. Increasing council taxes by £22 billion pounds a year would put them up by maybe 50 per cent. And if we were to try to replace other taxes with land value taxes, as some of the proponents of that charge suggest, then the price would skyrocket.*

*Now, there's also a lot of naive comment also made about land value taxation; for example, that it would be charged on the owner of the land and not on the tenants because that supposedly is fairer. I call that claim completely naive. That's like saying the interest paid by an owner on the loan that they have taken out to buy a property which they have then let does not have any impact upon the rent that they charge. I promise you, it does, and that's precisely why rents have gone up so significantly over the last few years, because interest rates have risen. So, the naive assumption that somehow or other a landlord will pay a tax and not pass it on inside the rent that they pass to a tenant is absurd. Let's ignore that, it's a stupid claim.*

*But let's just go back to the substance of this. Can land value taxation really capture a fair charge that should be levied, or is there a better way of capturing that charge in some other way? Because what we're trying to capture is the value of land. Could we deal with that better by simply increasing the tax rate on rents?*

*Why not? Because we could do that. For example, I have proposed that all rents should be subject to what is called an investment income surcharge of 15%, which would be, broadly speaking, the equivalent of applying a national insurance charge to them. And if that rent was received in a [company](#), we could have a higher [corporation tax](#) charge instead. This would be a much easier way of capturing additional revenue from land.*

*Could we also increase the rate of capital gains tax paid on the sale of land? Yes, of course we could.*



*And could we have what is called a development land tax, which Labour tried at one time and which was abandoned by Thatcher long ago? A development land tax was a charge on the increase in the value of land when it moved from having no planning permission on it to having planning permission on it. In other words, part of that enormous increase in the value of land which arises when planning permission is granted on it, would be taxed at that time, I think perfectly fairly.*

*So, are there better ways than trying to create a whole new tax with a basis of valuation which would be entirely unknown, unproven, and incomprehensible to most people as the basis for a charge? Yes, I think there is.*

*I'm a pragmatist when it comes to tax. I do believe people should have a real chance of understanding the taxes that they pay.*

*I don't think most people would understand a land value tax.*

*It's one of those taxes that looks wonderful on a theoretician's blackboard, or inside a textbook, but which, when it comes to the real world, looks a bit rubbish, to be totally honest.*

*I think there's good reason why we haven't tried it. I don't think we will be. I think there are better ways of extracting value from rents when it comes to taxation, and I've suggested some of them, and more could be explored, but land value tax is not, I think, going to be on anyone's agenda in the near future.*

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## Richard Murphy's critique of LVT and David Triggs' Response

Land value tax is something that has been promoted for a long time and which *I've never really got to grips with*. So how was it he advocated it in his book "The Joy of Tax" in 2015 if he never understood it? Let's be clear why.

The proponents of land value tax like to claim that it is the universal answer to all taxation problems because land is in finite supply, we can always identify who owns it, it's always here in the UK, therefore we can tax it, no one can avoid the charge, and what is more, this is the fairest way in which to levy all taxation, because all of our wealth, apparently, is derived from the land.

First of all, let me say, I don't think all of our wealth is derived from the land. I think a lot of our wealth is derived from our labour.

Here is the initial indication why Richard has "never got to grips with LVT - he does not understand the science of political economy. He says "I don't think all of our wealth is derived from the land" and "a lot of our wealth is derived from labour" apparently not recognising that **all wealth derives from the product of land and labour** - they are not alternatives but essential complements! This may be because he assumes wealth, value and money are synonyms for the same thing. In accountancy these terms may be interchangeable but in political economy they are not.

There is no doubt that we use inputs from the land in that process, but to claim that somehow or other the only one of the factors of production that needs to be taxed is land is, to me, very odd.

Here he fails to recognise the essential differences between the nature of these two inputs to the production of wealth: land is passive, labour is active; land is non-human, labour is exclusively human; land exists independent of human need or will, labour depends and arises only in response to human need, will and desire. Land needs no incentive, labour does! Richard here also fails to recognise the difference between "land" and "land value". The economic term "Land" refers to all the materials and forces that nature provides and only acquires an economic value if and when people attribute value to a portion of it. It is not surprising that Richard, as an expert in current tax practices, should find the idea of collecting public revenue without taxing people for adding value, working, producing, buying, or selling items of wealth as odd. It must seem odd to members of a profession who are steeped in ways of minimising the burden to individuals and corporations as a consequence of the unnecessarily complex nonsense that characterises the current UK tax system. Of course it is odd to those who are not accustomed to a system of public revenue collection that is based on collecting a value that arises from the permissions, protections and services provided by the **whole** community.

I also think it very odd that we claim that we do not need to tax labour because if we were to do so, then I believe that the capacity of a government to raise revenue would be severely diminished, and I do wonder whether those who promote land value tax also have that agenda in mind. I don't believe it is possible to raise that much revenue from land.

Richard fails to offer any reason why he does not believe it would be possible to raise sufficient public revenue by collecting the rental value of land in place of taxes on labour and the products of labour. Again he just finds it odd! His wondering about the alternative agenda he thinks those who promote LVT might indicate where he is coming from. I suspect he fears a reduction in the provision of publicly provided services - a fear which I demonstrated is completely unfounded.

I also, in practice, have major problems with the ways in which land value taxation works.

Let's be clear, land value taxation is not like a council tax. Council taxes, as all those who pay them in the various countries of the UK, and each has a different system, will know are quite conceptually different.

For example, in England, where most people will be paying council tax inside the UK, land values haven't been re-rated since 1992, which is pretty absurd because, for example, the house in which I am recording this video was built in 2003, but it does nonetheless have a 1992 valuation for council taxation purposes, which doesn't really make sense.

Richard is correct here LVT is not like council tax but wrong in referring to the re-rating of 'land values', as is clear when he then refers to the rating of his 'house' rather than the land it stands on. Of course out of date valuations are useless.

But land value taxation makes this problem with valuation even more difficult to understand. Land value taxation is not charged on the value of a property, which most of us can pretty much get our head around because there is a fairly identifiable price for most properties in the UK without too much difficulty now being required to establish it. I can go on to Rightmove or Zoopla and get a fair idea of what my house is

worth. But that is not what land value taxation charges to tax. Land value taxation charges the rental value of the land underneath the property. And that is something quite different. **Yes!**

The purpose of this is to create a charge to tax that is on the value of the land, whether or not there is a building on it. In other words, what you're trying to charge is the value of the land itself.

But, none of us really understand the difference between the value of our property and the value of the land on which it stands. We are not used to undertaking that valuation. And there would be significant confusion if all the properties of the UK were revalued in this way because people would say, what does that mean? There would be enormous numbers of appeals against values as a consequence and a feeling of disquiet as to what that value might be.

And the charge to tax on this made up, guessed, assumed, estimated, use whichever words you will, value, will be very hard.

**I am afraid Richard is here displaying the same naivety that that he attributes to those who support LVT.**

I have seen a recent proposal that has suggested it should be used to make good the shortfall that Rachel Reeves supposedly has in her budget of £22 billion a year. Increasing council taxes by £22 billion pounds a year would put them up by maybe 50 per cent. And if we were to try to replace other taxes with land value taxes, as some of the proponents of that charge suggest, then the price would skyrocket.

**Completely misses the point that LVT is not Council Tax and is to replace Council and other taxes not add to them!**

Now, there's also a lot of naive comment also made about land value taxation; for example, that it would be charged on the owner of the land and not on the tenants because that supposedly is fairer. I call that claim completely naive. That's like saying the interest paid by an owner on the loan that they have taken out to buy a property which they have then let does not have any impact upon the rent that they charge. I promise you, it does, and that's precisely why rents have gone up so significantly over the last few years, because interest rates have risen. So, the naive assumption that somehow or other a landlord will pay a tax and not pass it on inside the rent that they pass to a tenant is absurd. Let's ignore that, it's a stupid claim.

**It may seem stupid to someone who has not thought things through but, as matters stand a property letting landlord already seeks to charge tenants the most they are willing and able to pay for a secure tenancy of both the building and the land upon which the building stands. As with all man-made items of wealth the maximum rentable value of the building component is no more than its discounted current replacement cost, a sum which is readily identifiable. A more realistic value of the building component is less on account of its age, wear and tear and fashion. The older the building the less is its rental value compared with the value of the land it sits on.**

**The current replacement cost of every building is inflated by the taxes imposed on the labour involved at every step of its design, construction, marketing and sales etc.**

**The land's rental value does not depend upon what a landowner seeks to acquire but what a prospective tenant is willing and able to pay in excess of land that is freely available rent free. If, in every area, some land is available free of rent land owners will compete for tenants rather than tenants competing with each other for a place to live and earn a living. Rent free plots of land in every area or district would clearly be marginal but sufficient to set a datum. Landowners, having to pay all or a large percentage of the market rental value to the exchequer would not be able or choose to hold land idle, they would be under pressure to use it themselves, find a tenant, or sell it. Under current arrangements much residential, commercial and potentially useable land is unused for long periods by landowners who can afford and are enabled to hold it out of use at little or no cost to themselves but at great cost to the community that permits them to do so.**

But let's just go back to the substance of this. Can land value taxation really capture a fair charge that should be levied, or is there a better way of capturing that charge in some other way? Because what we're trying to capture is the value of land. Could we deal with that better by simply increasing the tax rate on rents?

Why not? Because we could do that. For example, I have proposed that all rents should be subject to what is called an investment income surcharge of 15%, which would be, broadly speaking, the equivalent of applying a national insurance charge to them. And if that rent was received in a **company**, we could have a higher **corporation tax** charge instead. This would be a much easier way of capturing additional revenue from land.

**This argument does not seem to be consistent with that Richard employed above when he argued landlords would simply pass any increase in their costs onto their tenants.**

Could we also increase the rate of capital gains tax paid on the sale of land? Yes, of course we could.

**And inhibit land sales!**



And could we have what is called a development land tax, which Labour tried at one time and which was abandoned by Thatcher long ago? A development land tax was a charge on the increase in the value of land when it moved from having no planning permission on it to having planning permission on it. In other words, part of that enormous increase in the value of land which arises when planning permission is granted on it, would be taxed at that time, I think perfectly fairly.

Richard is again demonstrating his own misunderstanding here and how he is unable, or unwilling, to think beyond a regime that tax accountants are familiar with. Here he proposes to **tax all rents** i.e. the rents paid to the suppliers of houses, factories, cars, machinery, tools etc. as well as land. Apart from a tax on rent to landlords it seems he proposes to tax investment income i.e. the earnings of employed capital.

Unfortunately this approach, like corporation tax suffers the same fault as taxing the employment of labour - it inhibits employment, production and enterprise! He fails to recognise that the economic rent of land does not arise because a so called "owner" is able to charge another but because, within a community, the privilege of exclusive tenancy of certain plots is so valued by certain individuals that they are willing to pay for the privilege and such a privilege is only possible if granted and protected by their community.

So, are there better ways than trying to create a whole new tax with a basis of valuation which would be entirely unknown, unproven, and incomprehensible to most people as the basis for a charge? Yes, I think there is.

I'm a pragmatist when it comes to tax. I do believe people should have a real chance of understanding the taxes that they pay.

I don't think most people would understand a land value tax.

Richard must be teasing his audience here - does he really think so few people are aware of how location affects land value. "Location, location, location" must be the one thing that everybody who has ever sought to buy, rent, sell or let a property knows affects its value. By comparison does he think most people understand the thousands of pages of rules, regulations, allowances, discounts, exceptions, variable rates etc. that surround income tax, corporation tax, National Insurance Contributions, excise duties, VAT etc. etc.? Clearly they don't and that is why tax accountants are in such demand and are rewarded so highly.

It's one of those taxes that looks wonderful on a theoretician's blackboard, or inside a textbook, but which, when it comes to the real world, looks a bit rubbish, to be totally honest.

One is bound to wonder which 'real world' Richard lives in. In the real world almost all existing taxes are arbitrary rubbish - in theory and in practice!

The idea of being 'totally honest' begs the question - what other sort of honesty is there?

I think there's good reason why we haven't tried it. I don't think we will be. I think there are better ways of extracting value from rents when it comes to taxation, and I've suggested some of them, and more could be explored, but land value tax is not, I think, going to be on anyone's agenda in the near future.

Richard knew history he would know why they have not been tried ever since the formation of parliamentary governments only included landowners and only non landowning members of parliament were admitted after taxing trade and earned income were already firmly established. He would be more credible if he were to explain why the taxes individuals currently suffer are so much better than rendering a rent to their community that equals the value they receive from their community. He would need to include the Magna Carta and how and why a just tribute was first converted into an unjust tax to satisfy the selfish ambitions of powerful men in response to the foolish acts of an unwise king.

### **Quote from Richard Murphy's "The Joy of Tax" - Chapter 8 - The ideal tax system**

Another type of wealth I think it essential to tax is that implicit in the ownership of land. For too long land ownership in the UK has been too concentrated. Too much of its ownership is unrecorded; or, when such records are kept, the beneficial ownership may be disguised through the use of offshore limited companies. As a result land speculation has sometimes been hard to identify, and therefore to tax. Meanwhile preferential tax regimes for personal homes have resulted in house price increases out of all proportion to income inflation, so that very many people in the UK, the young in particular, are now excluded from the housing market. At the same time, local authority taxation, which is largely based upon the outdated valuation of properties (a crude tax, created in a hurry to replace the hated poll tax), has become deeply dysfunctional for that reason. As a consequence land value taxation has now become essential.

Land value taxation should apply to all land value, without exception, where the land value is the amount for which the land could be let without having been developed. The land value tax due on an empty plot would therefore be the same as that due on the house next door. As already noted, this is an ideal tax to be managed by a devolved authority or regional government. The charge would be made on the owner, and not on the occupier of the land. In other words, this is a tax paid by landlords and the owner-occupiers of land. This means it is quite clear what it is: it is a tax on wealth.

There are five advantages to land value taxation. First, it cannot really be avoided: if the tax is not paid the land is forfeited. Second, it encourages the productive use of land because the charge is made whether or not the land is in use. Third, it allows the taxing authority to achieve environmental policy goals through active engagement with that land use, for example by using allowances and exemptions. Fourth, this tax shifts the burden from those who are less able to pay it – that is tenants – to those who always can, who are landlords. As a result this tax tends to be progressive in its nature, which most other land-based taxes ever charged in countries like the UK have never been, and which the UK council tax is very definitely not. Finally, because land use tends to improve when land value tax is in use yields rise, there are economic gains as a result and reduced social cost from vacant land and so the system provides net economic gains beyond revenue raised.

This consideration of direct charges on wealth does not, however, bring to a close the consideration of wealth taxation. Transfers of wealth provide another basis for tax... The sale of goods is one such transfer: when a sale takes place wealth is transferred between the participants....taxes can very clearly be applied to these transfers. The UK has had a VAT since 1973. Trading in other assets can also be taxed in this way.

### **Quote from Richard Murphy's "The Joy of Tax" - Chapter 9 - As the Chancellor might put it**

...Wealth will be calculated on a worldwide basis.

I have three further measures relating to land to announce before moving on. The first relates to council tax. This is a tax produced in a hurry by a government in a panic that nobody has dared revise since the day that it was introduced in 1992 and which is unfit for purpose today, and as unfair now as on the day it was created. It makes no sense at all that this tax, which is charged on the occupiers and not the owners of land, and which encourages second-property ownership and properties being left vacant, whilst the fact that charges are capped at what are now ludicrously low valuations renders it regressive, should continue in existence. I can therefore confirm that arrangements are to be made to introduce a land value tax in England and that devolved governments will be encouraged to consider similar taxes in the parts of the country for which they are responsible. Such a change will take time, and care will be needed with the design of this tax. This means that its introduction will be delayed for at least three years, but I can set out its design principles now. All land will, without exception, be liable to this tax, although exemptions for some land and uses will be made, using our new tax design principles. Any land where the beneficial owner (including the owners of offshore companies) cannot be identified will be held by the Crown in trust until ownership can be established. If that has not happened within ten years the state will become the legal owner of the land in question. The tax will be charged on the rental value of the undeveloped land: this is a tax on land and not on buildings. The tax will be progressive: the higher the value of the land the higher the rate will be. Land will not be aggregated for assessment: the wealth tax addresses that issue, in our opinion. The rates of tax will be deliberately set to ensure that many living in lower-banded council tax property will pay less in future and all tenants will, by definition, be exempted from this tax. Arrangements will be made to prevent landlords passing on their liabilities to their tenants.

The next change with regard to land relates to stamp duty...

Some comments on Murphy's The Joy of Tax following his rejection of LVT in August 2024

On seeing Richard Murphy's recent rejection of LVT and then reading again his 2015 book "The Joy of Tax" where he advocated it I could not help but be reminded of Henry George's book "The Perplexed Philosopher" where George exposed the popular philosopher of the day, Herbert Spencer. This followed Spencer's withdrawal of support for land value taxation when he realised how unpopular it was making him with the "Establishment" of which he was a part.

I am not, however suggesting that Richard Murphy's more recent change of mind on the topic is connected with any such fear. Rather I suspect it is because he had not really "seen the cat" when he advocated LVT in his book because he treats "Land" as if it were merely a form of "Wealth". It seems he did not, and does not, appreciate the fundamental economic difference between the value people attribute to items of wealth i.e. products of labour and land, and land itself - things and forces provided by nature i.e. the economic term for which is Land, and the value people attribute to things produced by labour and the value people attribute to and which labour must use.. People clearly attribute value to both and express that value in the amount of money they are prepared to give or receive in exchange for possession of the thing in question. The important economic difference between them is that only things produced by labour yield wages or earnings. ...