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# LAND TAX NEEDED TO AVOID WASTED RESOURCES

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**If you travel along the Great West Road between Heathrow and Hammersmith you pass through a corridor chosen as a preferred location by Sky TV, Gillette's, GlaxoSmithKline, Samsung, GE, Mercedes, JCDecaux and many other well known companies.**

**Brentford, situated between Ealing and Richmond, has the advantage of good transport links, a meandering canal, stunning views overlooking the River Thames, Syon Park and the Royal Botanical Gardens at Kew, its own arts centre, two museums and a leisure centre. It is not surprising that many new developments are taking place including new hotels, homes, restaurants and shops.**

**With house-hunters now scrambling to live in Brentford's prestigious TW8 postcode area this is generally considered to be a prosperous part of the country.**

**And yet..........................**

**We normally only think of post-industrial areas facing the need for regeneration.**

**But within a short cycle ride from my home in Brentford there are no less than six large commercial premises available for let and eight empty development sites, some of which have remained empty for many years.**

**Where there are old empty buildings, vandals have smashed windows, barbed wire is prominent and rubbish is dumped. These eyesores not only lower the tone of the immediate neighbourhood, but they encourage crime, fly-tipping and further vandalism.**

**However, Brentford's experience of abandoned buildings and sites is not unique in London.**

**So why is the Government planning to provide homes and jobs on green fields in Cambridgeshire, Bedfordshire and Kent when all this space in urban areas (even in the South East) is being kept empty and unused?**

**Why does this waste of resources happen?
Surely, it is not some immutable law of nature?**

**No, so perhaps we should examine our tax system!**

**It is not just young yobs who vandalise buildings.**

**Our rating system penalises occupiers of buildings but the owners of empty sites pay nothing. Indeed companies that sack their staff and create empty buildings are rewarded with half rates and if they smash in the roof, they do not face the courts, but instead are rewarded with an exemption from paying rates altogether because their building is now uninhabitable.**

**Just before Christmas, a fireman lost his life fighting the flames in an empty building. So the owners of these sites expect local services such as police and fire protection. The advertising for property also shows that landowners recognise that transport, good roads and a healthy local community all add to the attraction and value of their sites – but with our present tax system others pay for these services.**

**If an enlightened owner reopens their site we penalise them with business rates, Corporation Tax, National Insurance, PAYE, and VAT. Is it any wonder that landowners would rather just sit on an empty appreciating asset?**

**There is a sensible solution.**

**The local rates on businesses could be changed from the assessments on building value to just assessing the land value for its optimum permitted use.**

**This simple reform would mean that landowners would have an incentive to bring their idle land and buildings into use.**

**Towns and cities would be revitalised and urban sprawl into green field sites, with all the extra costs for new infrastructure would be unnecessary.**

**With more sites on the market and the new occupants aware of their land tax responsibility, land prices would reduce, encouraging business expansion, new start-ups, more jobs and cheaper land for building new homes.**

**Unlike this week's inflationary increase in National Insurance, rating site values would lower land prices, be counter-inflationary and allow headroom for the Bank of England to reduce interest rates without creating a housing boom.**

**With more ratepayers contributing, the rates burden would be shared and most existing ratepayers would pay less.**

**Rates on land value would be unavoidable and cheap to operate (you can't hide real estate in tax havens). In the USA, valuations on the site alone are considered to be more accurate and require less staff than valuing buildings.**

**There is a strong economic argument for shifting taxes from production to natural resources. Almost all economists, from Adam Smith and David Ricardo to modern Nobel Prize winners like the US economist William Vickrey, agree that land value is a surplus arising from production. By taxing this surplus a Government does not distort the economy, unlike taxes such as income tax and sales taxes that lead to higher prices and lower levels of production.**

**Indeed, Gordon Brown should be complimented for doing exactly this when he raised £22.4 billion by auctioning for 20 years the part of the spectrum needed for third generation mobile phones licences. When these licences expire and are re-auctioned, a future generation will also benefit from Gordon Brown's initiative.**

**The investment by Government into public services and the activities of the private sector also add to land values.**

**When Ford's decided to locate their factory in Dagenham, car part suppliers and workers wanted to move close by so that landowners in the vicinity made a huge windfall gain with no personal effort whatsoever.**

**More recently Don Riley, a property restorer in Southwark, has calculated that land values around the new Jubilee Line Extension stations in South London have increased by £13 bn, when the extension itself only cost taxpayers £3.5 bn to build.**
**He made money in his sleep while the tunnellers risked their lives underground.**

**Three Labour Governments since the war attempted to collect these windfall gains by introducing Development Land Taxes. It was predictable that these would fail. If development is taxed then most landowners will defer developing in order to avoid the tax. Thus Development Land Taxes create an artificial shortage of land and even higher land prices. This makes business accommodation costs and housing even more expensive.**

**So not only did Development Land Taxes miss the positive effects of rating all land, they actually damaged the economy.**

**If Gordon Brown has the courage to be more radical, he could even introduce a Land Value Tax operating on the same principles as rates on land values but paid to the Exchequer and used to reduce the taxes on production, wages and trade that harm the economy.**

**Philip Snowden adopted a Land Value Tax in Labour's 1931 budget but the new National Government quickly stopped the land valuation and abolished the tax.**

**Peter Mandelson's grandfather, Herbert Morrison, also promoted a Bill in parliament in 1939 to introduce the rating of land values for the London County Council.**

**In his recent book "Double Cross", Ron Banks estimates that the introduction of Land Value Taxation to replace existing taxes would trigger the use of idle land that currently falls below the margin of production. He estimates that the financial effect of this would be to generate an extra annual bounty of a staggering £15,000 pa per head.**

**Yes, £60,000 extra for a family of four!**

**Finally there is also a strong moral and ethical argument for taxing natural resources provided by Mother Nature which are really the rightful inheritance of all of us who live on the planet.**

**The introduction of taxing all land values extends the right for all to share in nature's fiscal gift and is an essential element of any programme to overcome social injustice, at home and abroad.**