



SCOTTISH GREENS LAND VALUE TAX PROPOSALS 2011

The Scottish Greens propose to replace both Council Tax and the Uniform Business Rates with a Land Value Tax, a levy collected by government on the value of land and land alone, not capital improvements such as buildings, drainage or fixtures. This provides a direct economic incentive to make the best use of land within planning regulations - known as Highest And Best Use.

Council Tax and the Uniform Business Rates currently bring in £3,800m per annum, and at the rates set out below, Land Value Tax would raise an additional £1,039m. The poundage rates set below are intended to emphasise the social and economic benefits of Land Value Tax, with the highest rate payable on urban vacant land, then on the properties currently covered by the Uniform Business Rates - meaning an overall cut to the tax bill for these businesses of £115m per annum. Residential properties in Bands F to H for the Council Tax would see an increase, but the 87.8% of Scots households living in properties currently banded A to E would see a saving. The lowest rate would be payable by agricultural, sporting and forestry holdings - businesses currently exempt from the business rates.

Land values in Scotland vary significantly according to location and planning permission - an average hectare of industrial land is valued at £1m, while an average hectare of agricultural land is valued at just over £4,000. At the levels proposed by the Scottish Greens, the tax on the former would be £80,000 while the tax on the latter would be just £100 per annum.

	LVT rate (p/£)	LVT total
Urban Vacant land	10	£164,375,000
Industrial, Business & Retail	8	£1,784,680,000
Residential	3.03	£2,397,832,000
Agriculture, Sporting Estates & Forestry	2.5	£492,279,000
TOTAL	n/a	£4,839,165,000

This measure will allow the next Scottish Parliament to invest in public services despite the ongoing cuts to the Block Grant from Westminster.

If in future the Block Grant starts to grow again Scottish Ministers could at that point decide either to invest the additional income, or lower Land Value Tax, or lower the Scottish Variable Rate to move the balance of taxation away from productive work and onto land assets.

Land value tax rates and revenue from various categories of land, rounded to the nearest thousand pounds.

Band	Average value	Council Tax	Current total CT	Cumulative % households	LVT	LVT total @ 3.03p/£	Change
A	£67,000	£766	£399,528,234	22.3%	£507.53	£265,322,904	- 33.74%
B	£83,081	£894	£503,998,811	46.3%	£629.34	£355,103,856	- 29.60%
C	£107,201	£1,021	£380,088,060	62.0%	£812.05	£301,039,984	- 20.47%
D	£138,021	£1,149	£342,927,083	74.7%	£1,045.51	£311,932,583	- 9.01%
E	£184,921	£1,404	£429,204,672	87.8%	£1,400.78	£428,617,408	- 0.23%
F	£249,241	£1,660	£279,103,062	94.9%	£1,888.00	£317,699,954	+ 13.74%
G	£426,121	£1,915	£207,355,350	99.5%	£3,227.87	£348,387,145	+ 68.56%
H	£804,000	£2,298	£26,538,346	100%	£6,090.30	£69,727,845	+ 165.03%
Total			£2,568,743,618			£2,397,831,680	

Average Council Tax rates before discount compared to LVT for residential properties, set at a rate of 3.03p per £ land value. 87.8% of households will be better off.



What exactly is a Land Value Tax?

All land has a monetary value which can be expressed as a capital value or a rental value. Land Value Tax (LVT) is a levy or tax on that value. Importantly, it is only the land which is valued, taking account of any planning permission or zoning associated with it, and not any improvements made to the site such as buildings. For a domestic property, the house price includes both values, and the tax would not apply to the building, only to the land it stands on.

What difference would LVT make to communities and planning?

LVT is designed to encourage efficient and sustainable usage of land. Owners of derelict and neglected properties pay no less tax than those who manage their properties better, thus providing an incentive to look after and use land well. Supermarkets and developers would be deterred from "land-banking", a speculative practice which regularly leaves brownfield land unused and unproductive. LVT also puts an end to the cycle of boom and bust in property. Bringing brownfield sites back into use eases pressure on green belts and reduces commuting, and helps to remove the derelict sites which can be a magnet for vandalism and other crime.

Does that mean that LVT simply encourages development?

No, because local communities decide more or less democratically through the planning process what kind of developments to permit on individual pieces of land. A more open and democratic planning process would be desirable alongside LVT. Owning green space without any planning permission for it would incur little or no tax.

What effect would LVT have on land values?

In the longer term, LVT is in part designed to reduce speculation and moderate the kind of house price boom and bust which we have seen in recent years. These price booms have caused serious problems for young people seeking to get onto the property ladder, as well as for those looking to set up new businesses.

If I own my house, why should I pay tax on the land value?

At the moment, land values are bundled in with property prices and all landowners both pay for and benefit from the land value element of their assets. However, land values are bound up with what can be done with a site and how society chooses to develop its urban or rural environment. If, for example, a new ferry terminal is built on an island that allows for better access to the mainland, land values will rise. That increase in value was created by the community's decision to build the terminal and by its investment. Land value taxation shares this increase with the community.

Where else has a Land Value Tax been used?

New South Wales and cities elsewhere in Australia raise a Land Value Tax, as do a number of American cities. Estonia, Taiwan and Singapore also use LVT. Closer to home, Glasgow City Council ran a pilot project in Dennistoun and Haghill, and published a report on the results in 2009.

How complicated would LVT be to administer?

The main additional piece of work required would be a register of all land ownership and use in Scotland, a project which is currently incomplete, and a value assessed for each property. Beyond that, LVT would be no more complicated to levy than Council Tax or Universal Business Rates, and more difficult to avoid.

What transitional measures might be appropriate?

Older people should be given an option to defer the cost and secure the debt against their property, while those who prefer to continue paying Council Tax until the property is sold could be permitted to do so. Local authorities could also be given the freedom to use one or more other taxes locally as well as LVT.

What happens when more than one property is built above another on the same piece of land?

Owners of tenements, high-rise flats or other shared buildings on the same land would each be responsible for a share of the overall LVT. The precise share would be in relation to the overall market value of each property on the site. For example, a two storey town house would pay approximately twice the amount of a one storey basement flat (although if the basement flat had exclusive access to a garden, the proportion paid by the basement would be higher).

I am a tenant and I currently pay council tax. Would the landlord not simply add the LVT to my rent?

First of all, you will make a saving by not having to pay council tax. Rents may well increase but overall most tenants will be better off. The rental market for property is a function of supply and demand, however, and rents cannot increase to a level where people cannot afford them. The introduction of LVT would provide an incentive for landlords to maintain and improve properties as such investment will not lead to any increase in land value.

Would an older person living alone in a big house be hit hard by LVT?

Some property owners, including some in this category, would see LVT bills above the current council tax level, which is why it will be important to introduce some transition arrangements. A retired person living alone would be allowed to put payment off by amortising the cost and securing it against the house value. Another option to consider would be to allow owners to continue with council tax if they wish until the property is sold, at which point the new owner would be required to pay LVT.

Some people have called this a garden tax. Is that fair?

All land would be taxed on its value according to planning law. If a property has a garden without planning permission that allows it to be built on, it would be taxed only on the marginal additional value it brings to the property, just as the Council Tax currently does. If planning permission is sought and received to build on it, the land's value would increase and so too would the LVT. It would be no more fair to call it a garden tax than it would be simply to call it a wasteland tax, a mansion tax or a supermarket tax.

Would a Local Income Tax not be fairer?

Currently tax is levied on income and property, amongst other things, which gives a broader and more balanced tax base than would be achieved by switching more of the burden to income. Furthermore, the kind of Local Income Taxes proposed by the SNP and the Lib Dems would be regressive, as they exempt all income from shareholdings and from property, so those at the top would pay nothing. In fact, it would encourage even more growth in the buy-to-let market and thus make the property market even more exclusive. A local income tax would also require the same HMRC database as the Scottish Variable Rate, which has now lapsed.