

LVT - a just tax

The economic case for the introduction of LVT is a very strong one. So, indeed, is the ethical case. Since the community has created the enhanced land value it is only right that the Government (through an annual LVT) make use of it for the benefit of society, e.g., infrastructure and local services that benefit the whole community.

Indeed this form of tax solves the problem of how to fund expensive infrastructure such as new rail networks. Due to the uplift in land values successful projects produce they could become self-financing.

The complexities of Income Tax, Corporation Tax and VAT are well-known. This enables avoidance and evasion. Land cannot be hidden, removed to a tax haven or concealed in an electronic data system making it much more straightforward to collect taxes based upon which cannot be avoided or evasion.

CEJ Member Organisations

[ALTER](#) *LibDem, Action for Land Tax and Economic Reform*

[CCMJ](#) *Christian Council for Monetary Justice*

[GJM](#) *Global Justice Movement*

[HGF](#) *Henry George Foundation*

[IU](#) *The International Union for Land Value Tax*

[LIF](#) *Land is Free*

[LLC](#) *Labour Land Campaign*

[LVTC](#) *Land Value Taxation Campaign*

[SES](#) *School of Economic Science*

[SFRG](#) *Systemic Fiscal Reform Group*

[PLRG](#) *Professional Land Reform Group*

<http://www.c4ej.com/>

Coalition for Economic Justice

Promoting A Long-Term Solution to Repetitive Economic Crises

We propose to reduce or replace existing taxes on enterprise and labour by annual Land Value Taxation (LVT) in order to prevent future economic crises and alleviate the current one by stimulating the real economic growth that is so badly needed.

The case for Land Value Tax

Every economic crisis in living memory has been preceded by an unsustainable and speculative rise in property values, commercial/industrial as well as residential. The link between property values and bank and building society lending is strong and causal. Excessive lending fuels property prices.

Of the four UK banks that has to bailed out or nationalised following the crash of 2008/9 the reason that three of them got into difficulties was not dealing in complex financial instruments but excessive and imprudent lending for the purchase of property.

The rise in property prices is in fact a rise in the land element of the price, since the cost of building materials, and builders' wages, hardly rises at all. An **annual tax on the rental value of land** would exert a restraining influence on property values and give some control over this key determinant of economic stability. Such a tax would also lead to the reduction of

excessive and imprudent bank lending and remove much of the speculation in land.

Unique nature of land

In the present market economy the justification for a rise in prices is that it brings forth increased supply. As the land supply is fixed there can be no such increase. As economists from Adam Smith onwards have recognised, the land market acts as if it were a monopoly. Rising property prices serve no useful economic purpose. They constitute an unearned surplus which extracts wealth from the real economy. As such, they are the natural target for taxation.

Taxes on buildings or machinery and plant, discourage people from constructive and beneficial activities and penalise enterprise and efficiency. Taxes on land values have no such effect.

Replacing other taxes

LVT is proposed not as an additional tax **but to replace existing taxes on property, trade and production.**

Collected on an annual basis it would help to reduce those taxes, many of which are unpopular (e.g., council tax and stamp duty) as well as income tax, national insurance and business rates which directly discourage production.

Stimulating the Economy

As the tax is based on permitted land use - not on current use (or non-use) value - LVT will penalise those who hold land out of use. It will therefore encourage land use and stimulate economic activity, for example bringing empty homes into use. With LVT introduced, there will be little or no incentive to speculate in land and hence property. Much of the credit which currently supports land (property) values would no longer be needed and so would be available to finance the production of goods and services. The new business that is encouraged would lead to increased employment and hence a decrease in Government expenditure on welfare.