

From a Property Tax to a Land Tax – Who Wins, Who Loses?

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SUMMARY

Whilst the theoretical case in favour of a tax on the unimproved value of land is well established, examples of its implementation in practice are relatively few in number. Where a land tax is levied, it is often part of a suite of land and property taxes that includes transfer taxes, wealth taxes betterment and recurrent taxes on improved land. Rarely is a land tax the sole mechanism for taxing real estate.

Yet there is no shortage of land tax supporters, even in countries where other forms of real estate tax have a long history. England is one such country, where real estate taxes have been around since the 17th century in one form or another. Despite strong lobbying at the beginning of the 19th century, following the publication of Henry George's *Progress and Poverty*, governments on the left, right and in the centre ground of political discourse chose not to switch to a land tax.

It is interesting to note that, in the land tax debate throughout this period, there was an absence of empirical research to underpin the positions adopted by either proponents of a land tax or defenders of the status quo. The debate was a political, ideological and theoretical one (McGill and Plimmer, 2004). It wasn't until 1964 that a small pilot exercise was undertaken to investigate the implications of introducing a land tax in England. This seems odd given that frequently cited criticisms of a land tax centre on technical difficulties, and particularly the need to value unimproved land even though most transactional evidence relates to improved land. It would be useful to investigate these difficulties to see if circumstances have changed. This paper, therefore, looks at some of the consequences of switching from recurrent real estate taxes that are based on improved values to one that is based on the value of unimproved land. Focusing on one local authority area in the south east of England, the paper seeks to answer the following two questions:

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- How might the valuation of unimproved land be undertaken in a developed economy where most transactional evidence relates to improved land?
- What are the revenue implications of switching from an occupier tax to an ownership tax? In particular, who are the winners and losers and does expansion of the tax base to include agricultural land uses make much difference?

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