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LVT – What it is, What it is not

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By Merle Edwards – WHAT IS LAND VALUE TAXATION? Don't we have more than enough taxes already? Why do we need another one? And why land value tax? What exactly is land value? Why should taxing land be any different, or better, than taxing anything else?

Read on for a careful consideration of these questions.

Land and the Right to Use It

Land is simply the planet Earth, the whole of it: the solid ground, the air around it, the rivers lakes and seas, the plants and animals.

Human beings are Earth's creatures and are all equally dependent on their earthly environment for the air, water, food and shelter they need to survive for a natural life span.

All human wealth, all the things that human beings make to satisfy their needs and desires, come from putting human energy, mental and physical, to work on the raw materials of the Earth. The right to own anything is an acceptance of the fact that the worker has a natural right to enjoy the product of his/her work. The person who gathers a handful of blackberries has the right to eat them. The person who collects branches and fixes them together to make a hut has the right to shelter in it.

Human beings have not made the land they live on, the Earth. So no human being has a natural right to claim land as his/her private property. And all human beings have the same need to live and work on land and an equal right to do so

Land Value

The value of land is the desire it inspires in people to gain control of it. Land value is clearly shown by the amount a would-be occupier has to pay in rent or purchase price for a particular piece of land. The price tells us how much competition there is to occupy it.

A plot of land is highly valuable to human beings when it has natural qualities like fertility or oil and mineral deposits that give the occupier a good opportunity to become rich. A plot of land is also highly valued when it has natural qualities like a breath-taking view or a healthy climate that make it a good place to live.

But a single human being marooned on an island that had everything necessary to create great wealth would not live in luxury. Even though the island had rich soil, lush vegetation, abundant wild life, fresh water, oil, coal, gold, silver etc, the sole occupier would not be rich. Without other hands and brains to help explore, hunt, gather, dig, build, he or she would have to work hard just to obtain the basic necessities of life.

Great wealth is the product of human co-operation. A community of people has to co-operate over many generations to produce the conditions in which they can become rich. They have to acquire knowledge, develop skills, specialise in different trades, exchange goods, lay down a network of roads and bridges and accept a common standard of law and order. Within a co-

operating community the value of a plot of land depends on how much its occupier benefits from the work done by people, living and dead, in the surrounding area. A convenient railway station (built by the Victorians), nearby shops (run by contemporaries) and a good standard of teaching in local schools all raise the value of a residential neighbourhood. Nearness to motorways and railways and the presence of a skilled workforce in the surrounding districts raise the location value of a factory site.

An occupier may put up valuable buildings, provide valuable services on his/her land but the value of that land does not depend on this work. It depends on the land's natural qualities and on the advantages of living or working on that particular patch of earth that come from the work of the whole surrounding community in the past and the present.

Just as everyone has an equal right to take what he/she needs for survival from the earth, so every member of a human community has an equal right to benefit from the extra value given to land by the whole community over many centuries.

Land Value Tax

Land value tax is a charge for the occupation of land, a land rent, paid by all occupiers into a communal fund which is used for the benefit of the whole community.

When the amount of tax to be paid is worked out, the size and value of each plot of land is taken into account, but crops, buildings and everything else put on the land by the occupier are not counted. Those who occupy the largest, most advantageous, most wanted sites pay most. Those who have to make do with the smallest, least profitable, least wanted sites pay least.

Land value tax collects the extra unearned income that comes to people just from being in control of better land than others. In this way land value tax gives the occupiers of all land a level playing field. Their income then depends solely on the skill and energy of their work and not at all on their location.

The first call on this land rent paid to the community is naturally to satisfy communal needs. It is needed to pay for the police force, the emergency services, the upkeep of roads, railways, bridges etc. Funding public services from land rent instead of from taxes on goods and services means that all citizens have a share of the value of all the land and all citizens are allowed to use their individual earnings as they choose.

Even if the land value tax should amount to more than is needed to pay for public services, the whole of it ought still to be collected and the surplus shared out as citizen's income. Failing to collect the whole of the land rent allows some citizens to pocket unearned income and would not provide the level playing field which gives all citizens an equal opportunity to benefit from their own work.

In order to collect land value tax, a register listing all the land of the whole country and its value would have to be set up and then kept up to date. The value of land increases and decreases continually according to the changing activities and desires of the people surrounding it. The value of each land holding therefore needs to be regularly reassessed to make sure the land value charge is always fair and accurate.

The Practical Advantages

Land value taxation expands production to the full extent allowed by the available land and human skills.

1. Current taxes burden all businesses with an extra charge that doesn't pay for anything used in production. This extra cost just makes it more difficult for firms to make the profit they need to survive and prosper. And, discouragingly, the harder, longer and more efficiently they work to try to increase their production and profit, the more taxes they have to pay.

Land value tax doesn't penalise firms in this way for producing desirable goods and providing wanted services. It only requires businesses to pay for the site that is essential to their production. And when this land value rent is paid, there is nothing more to be paid no matter how many extra goods are produced or how much extra profit is made. Businesses get the full benefit of their extra effort and efficiency.

2. The extra cost imposed by current taxes is most burdensome to small new firms struggling to get a foothold in the market while handicapped by their location on the least advantageous sites in the run-down districts of big cities or in the run-down areas of the country. Because they are already disadvantaged by poor transport connections or by their long distance from suppliers and markets, firms here that make a small pre-tax profit can be tipped into unprofitability by the extra cost of taxes on income, fuel, vehicles etc and they have to go out of business.

Similarly, would-be entrepreneurs are deterred from setting up business in the first place in locations where a small profit is likely to be wiped out by the cost of present-day taxes

Land value tax removes this handicap. In run-down areas land value tax would either be very low or nothing at all. Businesses here as everywhere else would benefit from the removal of taxes on goods and services that collecting land value tax would make possible. Firms that in present conditions cannot survive would make a profit. Increased prospects of success would lead to the setting up of more businesses. New businesses would mean more job opportunities, higher wages and increased spending power. This would enable still more firms to survive and expand. Increased production and competition would lower prices. Prosperity would not only return to the poorest parts of the country but people everywhere in the country would be better off.

3. Land value taxation would ensure that no usable and needed land was wasted. Each site would be assessed on the value it would have when used in the most profitable way allowed by planning law. And the appropriate rate of land value tax would be collected whatever the occupier did with it.

Landowners would therefore be forced to use their land efficiently in order to be able to pay their land value tax. Or they would have to sell it to those who could make better use of it. They would not be able to hold on to land while under-using it or leave it unused because they expected to sell it at a higher price and larger profit in the future.

4. Land value taxation would eliminate booms and slumps. Since no-one would be able to keep land that was unused or under-used there would be no

artificial shortage to drive up land prices to the point where buyers and renters paid more than they could afford. There would therefore be no avalanche of repossessions and business failures followed by a period of stagnation while the price of the land element in property (land plus buildings) fell low enough for first-time buyers to be able to afford a home and would-be entrepreneurs to set up in business again.

Instead, land value taxation would bring more land on to the market and keep prices stable.

5. Land value taxation makes tax evasion and avoidance impossible simply because land cannot be moved, hidden or disguised.

6. Current taxes have to be spread over a huge number of different products and activities in order to avoid damaging any of them too much. This produces a complicated tangle of exceptions, concessions, and exemptions. Not only does this tangle provide ample opportunity for tax avoidance but it is also expensive of time, labour and energy for both the government and taxpayers.

Land value tax does not damage any industry and provides no loopholes in tax law that can be used to avoid payment. It is therefore cheap and easy for the government to organise and for citizens to pay

Does Land Value Tax Have Any Disadvantage?

No, in itself, land value tax has no disadvantages in comparison with our present land ownership system and our current forms of taxation. But it does present us with a difficulty. It requires us to change the way we look at the world.

Human beings have treated the planet they live on like something they have made and can own for so many thousands of years that it has come to seem natural and impossible to change. But it is not natural for anyone to claim to own the solid surface of the Earth and charge others for living and working on it, or to claim ownership of rivers and lakes and charge others for fishing in them. This is no more natural than it would be for someone to claim to own the air and charge others for breathing it.

In order to prosper, individuals and groups of people do need both a private space in which to live and work undisturbed by others and easy contact and cooperation with other individuals and groups. The earth, though large, does not everywhere provide the same raw materials and opportunities for profitable cooperation with other human beings. Everyone cannot occupy the best land though everyone has the same right to it.

The response to this problem has generally been to accept the first-come settlers or the victors in battle, and their descendants, as owners and controllers of vast areas of land, leaving the majority of the human population landless and dependent on the landowner for the opportunity to earn a living. The habitable land has therefore been used in the interests of landowners rather than to satisfy the needs of the whole population.

The consequences are the territorial wars that have been causing human misery for centuries, the dreadful poverty of millions in the Third World, and the “disadvantage” of the socially excluded living on “sink estates” and sending their children to “bog standard schools” in the UK, one of the richest countries in the world.

To put right these wrongs we need a fair way of sharing the Earth that leaves nobody without a stake in the land and that hinders no-one from contributing through his/her work to the general prosperity. A small simple society like the medieval peasant farmers could share the land fairly simply by dividing up the land into strips and giving each peasant a bundle of strips of roughly equal quality. Land value taxation provides us with a means of achieving the same result in a complicated technological society, where people need very different amounts and sorts of land to work on, and world-wide co-operation is essential to prosperity.

The Tax That Is Not A Tax

What Land Value Tax is Not

1. Land value tax is not meant to be an additional tax but an alternative way of raising public revenue.

Current taxes on incomes, sales, profits, etc. all act as a fine on the production of the goods and services that people need and want. Land value tax is meant to replace these taxes on production with a charge for the use of the land to which every citizen has an equal right. In this way those who occupy the largest and most valuable sites compensate all those who are kept off them.

2. Land value tax is not a property tax.

When the amount of land value tax to be paid is calculated, all the buildings, machinery, crops etc. that the occupier has put on the site are not counted. Land value tax, therefore, does not penalise work, skill or efficiency. A good quality building on one site will not lead to a higher land value charge for it than for another site of the same size and quality left empty. Similarly, leaving a site empty will not mean a lower land value charge for it than for a site of the same size and quality with a well constructed building on it.

3. Land value tax is not a simple land tax.

A land tax which is assessed only on the size of a site and does not take into account its natural qualities or the benefits its occupier receives from the infrastructure and activities of the surrounding community is simply unfair. Unlike land value tax, which does take these factors into account, it unfairly charges the same amount for sites of very different value.

4. Land value tax is not a development charge.

A development charge is a payment demanded by governments when buildings are put up or improved, when the use made of buildings is changed, when land or buildings are sold or leased, in locations where, and at times when, planning permission is raising the value of land to its owners.

Development charges have been used to try to ensure that government bodies could obtain the land they needed for necessary public improvements at an affordable price, and to try to get some benefit for the community from the increased land value the community's own work had created. But development charges have always failed in these aims because:

(1) A development charge can be avoided by doing nothing, by not developing. Landowners can simply hang on to their land, underuse it, and wait for the law to change, knowing that when the charge is lifted they will be able to sell the land at a higher price without even the trouble of developing it themselves. The development charge acts as an incentive to hang on to underused land, which leads to an artificial scarcity and raises land prices.

(2) A development charge is unfair because it does not separate land value from the value of buildings. The wealth that comes to the occupier from the value of land belongs to the community because the value is created by nature and by the community. The price that is paid for buildings belongs to the person or group who has built them. To impose a tax on buildings is to deprive someone of the reward for his or her own work.

(3) A development charge is unfair because it attempts to collect land value rent from a minority of land owners, the value of whose land is being raised by a new development opportunity. And it does not try to collect land value rent from all the other landowners who are benefiting from the value given to their land by centuries of community development.

Unlike a development charge, land value tax encourages needed development, makes more land available for use, keeps down land prices and treats all landowners fairly.

5. Land value tax is not a tax.

A tax is a compulsory contribution by a citizen to government funds that is not graduated according to the benefit the citizen receives from government in return. Land value tax is graduated in exact proportion to the benefit the land citizens occupy brings them. Citizens pay for what they get and get what they are prepared to pay for.

Land value tax is therefore a payment for the right to occupy land rather than a tax. It is a payment to the community for what naturally belongs to the whole community. What it does have in common with current taxes is that it would be used to fund the communal amenities and services that every human society needs. But instead of taking a share of the income

individual citizens have earned through their own work to provide for common needs, land value tax collects the unearned income that comes to them simply from being in control of land made specially valuable by nature and by the work of the whole community.

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4 Responses to *LVT – What it is, What it is not*

1.  Colin says:

[August 16, 2011 at 10:16 am](#)

This article is certainly more lucid than Karl Marx! There used to be, and I think it was the Wilson government who abolished it, a thing called “Schedule A” tax whereby the owner-occupier of a property had to pay tax on the rentable value of his home. The reintroduction of this should go down a bomb in the “property owning democracy”.

I like the theory. “The state owns, you rent.” Will it sell?

[Reply](#)

▪  landisfree says:

[April 22, 2012 at 11:46 pm](#)

A land value tax would not be the equivalent of reintroducing Schedule tax. Schedule A was an extra tax. Land value taxation is an alternative form of taxation and as it is introduced other taxes will be proportionately reduced. Schedule A was assessed on the rental value of property i.e. on land and on any buildings constructed on it. Land value tax will be assessed on land alone i.e. on empty land and on the sites of buildings, but not on the buildings themselves.

Would land value tax be state ownership? The land would belong to the whole community in the sense that everyone would benefit from its use. But the right to occupy land would not be in the control of civil servants. Land would pass from one occupier to another as it does now . The only change

would be that payment of the annual rental value to the community would become a condition of occupancy.

Will this sell? Only when voters realise that our current way of raising public revenue, through taxes like income tax and VAT, restricts production, causes unemployment, lowers wages and puts up prices. We have almost three million people unemployed at present. To deal with the problem of unemployment we need to tackle the cause. This is what land value taxation would do.

Reply



2. *Colin* says:

[August 16, 2011 at 10:49 am](#)

Communism without abolishing private property? Have I got this right, no schedule A and employees do not pay tax? This new tax would have to be at a fairly high rate and would surely be a disincentive to new enterprise. Would this new tax system lead to full employment within “sustainable” growth – and end to boom and bust? What would be the status of national parks and NT sites? I would not end the exploitation of labour.

Reply



▪ *landisfree* says:

[April 22, 2012 at 11:48 pm](#)

Yes, you are right Employees would not pay income tax, which is a tax that penalises people for producing useful goods and providing needed services.

Land value tax will need to be introduced at an initial rate high enough to make a noticeable improvement in the working of the economy but this will not be burdensome because land value tax is not meant to be an extra tax but an alternative means of raising public revenue. As land value tax is introduced and increased until it collects 100% of land value rent, so current taxes like income tax and VAT will be proportionately reduced.

This new way of raising public revenue will certainly not be a disincentive to enterprise. On the contrary, because land value tax is assessed on the potential profitability of the sites occupied, it will stimulate the setting up of new enterprises in currently run-down areas of the country and provide the conditions that will give them a good chance of surviving. This is because those working on inconvenient sites, disadvantaged by their distance from markets and by poor transport communications, will be liable to pay a very low rate of land value tax or none. And they, like everyone else, will benefit from the cut in current taxes that land value tax will allow.

Under a land value system of taxation success in business will depend on skill and effort rather than on the advantages of the site a person or company has managed to acquire. And once the appropriate rate of land value tax has been paid, there will be nothing more to be paid no matter how many extra goods are produced or how much higher profit is made. This should prove a huge encouragement to industry and ingenuity.

Yes, this new tax system will lead to full employment with “sustainable growth” because it will ensure the full use of available land and make land speculation unprofitable. All increases in land value will produce extra revenue for the community, not higher rents and sales prices for landowners, so land hoarding and artificially inflated land prices will no longer lead to cycles of boom and bust.

Landowners in National Parks and the National Trust will pay the appropriate rate of land value tax for their sites. Of course, any restrictions imposed on the use of these sites with the aim of protecting the environment will mean a reduction in the rate of tax payable on them.

When all needed available land is used and none wasted everyone will have an opportunity to work and wages will rise to the full product of the work done. So land value taxation will end the exploitation of landless labour.

Is this economic system Communism? When the land value rent created by the work of the whole community is collected for the community everyone is given a stake in the land of the country where they live. So you could call it a form of communism as long as you remember that it in no way resembles

the state tyrannies and corrupt bureacracies that in recent times have claimed that name for themselves.

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