

Letter in the Financial Times on 12th July 2024

I read with despair that one of Rachel Reeves's proposals to "unlock Britain's planning system" comes under the heading land value capture (<https://www.ft.com/content/8bc61cbc-f13a-4fb4-b958-a9961068fc1f>). Labour has had an obsession with this for decades. Between 1947 and 1976, the party introduced taxes aimed at capturing the rise in land prices when a higher-value use is granted. They raised little revenue and were abolished under the Tories, who then introduced one of their own.

Such taxes can be classed as development land taxes. They hobble development and can engender corruption when big developers and their legal teams combat cash-strapped local planning departments.

The main problem the chancellor appears to want to address here is the affordable housing crisis. In London the price of an ordinary semi is roughly nine-tenths land value. The land market allocates this scarce resource neither fairly nor efficiently. This is what needs to be tackled.

The general tax on residential property is council tax, under which the owner of a Mayfair mansion pays little more than the tenant of a bedsit in Portland, one of England's most distressed towns. Student housing is exempt, which allows landlords to extract even more rent.

Labour should revert to its original policy of land value tax, enacted in 1931 but repealed by the Tories and never implemented. A tax on all land, paid by owners, corrects the land market — it brings down the price of land and housing, as well as filling local authority coffers. Businesses would also benefit as assessments for business rates include the value of buildings.

Apart from raising revenue, the only purpose of stamp duty land tax appears to be to dissuade families and businesses from moving.

Dear chancellor, fulfil one of Keir Hardie's dreams: abolish all current property taxes and replace them with land value tax.

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