



Suggestion for the first Labour Chancellor in a while ...

The first Rule of Taxation is that the more you tax something, the less of it gets done. Income Tax, National Insurance Contributions and VAT are taxes on productive activities like work and trade. Raising any of them makes goods and services more expensive so less of them are bought, less are produced or provided, factories and offices close down, the economy shrinks and jobs are lost. Yet these taxes account for 60% of Treasury revenue. Our current tax system is a barrier to growth.

Property taxes currently collect about 8% of Treasury revenue: Stamp Duty Land Tax disincentivises economically beneficial transactions; Council Tax has evolved into the poll tax it was introduced to replace with a Russian oligarch in London paying less on his £100 million mansion than the tenant of a council flat less than two miles away; businesses which do not vote are forced to bear the brunt of the burden through Business Rates, in particular those in sectors like retail where the building—part of working capital—is a major component of the valuation.

The Labour Party's first manifestos included a commitment to Land Value Taxation (LVT) as its main economic policy and the first Labour Chancellor introduced such a tax in his 1931 Budget (subsequently blocked by the incoming Tory-dominated Coalition Government). Today, land value represents over 60% of UK wealth but this is disproportionately held across the population. The most tangible—and taxable—manifestation of inequality is that rich people own a great deal more land than poor people. This is the eminently fair and economically sound potential revenue source which Labour should stop ignoring. Taxing wealth is popular and there is no better wealth tax than LVT as it falls on the broadest shoulders, is easy to collect and can't be dodged by being squirrelled away in a tax haven. It would directly support Labour's commitments to reducing economic inequality and driving healthy growth. Before his death last month, former Vice-Chair of Transport for London and Chair of the Labour Land Campaign, Dave Wetzel pointed up the virtues of a substantial LVT: "Using the revenue to reduce economically destructive taxes on workers, consumers and businesses will boost the real economy; it will repair the all-important but currently dysfunctional land market and optimise use of our most precious natural resource; and it will make it less lucrative to speculate on sterile assets, thereby driving investment into the real economy where wealth is created rather than extracted." ENDS

***The Labour Land Campaign is a voluntary organisation working for land reform.
It advocates a fairer distribution of land wealth through a Land Value Tax.***

For more information see www.labourland.org

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