

Subject: Rapporteur report: Tax Trial - A Land Value Tax for London?

Report to: Planning Committee

Report of: Executive Director of Secretariat

Date: 10 March 2016

This report will be considered in public.

1. Summary

- 1.1 This report asks Members to agree the report "Tax trial: A Land Value Tax for London?", the final report of the rapporteur investigation undertaken on behalf of the Committee by Tom Copley AM.

2. Recommendations

- 2.1 **That the Committee agrees the report "Tax Trial: A Land Value Tax for London?", as attached at Appendix 1 to this report.**
- 2.2 **That the Committee delegates authority to Tom Copley AM to lead any follow-up work in relation to the report's recommendations in consultation with the Chair and Deputy Chair of the Committee.**

3. Background

- 3.1 On 17 September 2015, the GLA Oversight Committee appointed Tom Copley AM as a rapporteur, to carry out an investigation into the case for and against a Land Value Tax for London.
- 3.2 In response to a call for evidence, a number of detailed expert written submissions were received, and the rapporteur conducted a series of meetings with experts in the period between October 2015 and January 2016. This provided the evidence base for this report.

Context

- 3.3 London's record population growth reflects its success, but it also creates an urgent need for more homes and infrastructure. This report examines the case for and against introducing a system of Land Value taxation to encourage the required development.
- 3.4 The Mayor and the London Assembly have seen some success in persuading Government to grant London greater fiscal devolution. But, as the London Finance Commission concluded, we need to explore further devolution and the potential for new taxes to encourage development and raise the capital required to support future growth.

- 3.5 Land Value Tax (LVT) may be one way of accelerating the new house building London so desperately needs. Although not widespread, some cities and countries use LVT as an established mechanism of funding regeneration and city growth.
- 3.6 In the UK, the current property taxation system has characteristics that, in some circumstances, encourage inefficient land use, deter development and make land banking more likely. In extreme cases, it can encourage demolition of buildings, or continuing vacancy, when reduced rates or zero business rates are applied to empty or derelict land.
- 3.8 LVT has the potential to overcome these drawbacks and deliver higher levels of development to fund London's growth. It could, in the first instance, replace council tax and business rates. LVT would be a tax on land, payable by the landowner, at a rate of tax which is determined by the value of the land in its 'optimum use' (as decided by a public authority) - as opposed to its actual or current use.

4. Issues for Consideration

- 4.1 The final draft report of the investigation is attached as Appendix 1 to this report for formal agreement by the Committee.
- 4.2 The report makes the following three recommendations to the new Mayor of London:

Recommendation 1

By the end of 2016, the new Mayor should have examined the powers that would be necessary to implement and operate an LVT to replace the three basic property taxes: council tax, business rates and stamp duty land tax.

Recommendation 2

Within the first year of office, the new Mayor of London should commission an economic feasibility study that would model the implementation, operation and likely yield of an LVT in a geographically defined area of London - for example in the OPDC.

The study would compare the likely yields of an LVT compared with the existing property taxes and estimate the impact of an LVT on different land uses within the area.

Recommendation 3

Should the economic feasibility study show an LVT would deliver positive benefits in terms of encouraging housing development and funding supporting infrastructure, the Mayor should trial an LVT in a geographically limited area of London - for example the OPDC - for a fixed period of time, to test the impact of this approach on encouraging and funding development.

- 4.3 As the report directs its recommendations to the new Mayor of London, the Committee is recommended to delegate authority to Tom Copley AM to lead any follow-up work in relation to the report in consultation with the Chair and Deputy Chair of the Committee.

5. Legal Implications

- 5.1 The Committee has the power to do what is recommended in this report.

6. Financial Implications

- 6.1 It is not anticipated that the proposal will require any additional expenditure; however any costs that do arise can be met from the Scrutiny Programme Budget 2015/16.

List of appendices to this report: Appendix 1: **Tax Trial - A Land Value Tax for London?**

Local Government (Access to Information) Act 1985

List of Background Papers: There are none

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