

ALTER's 'manifesto' for CEJ¹

For many Liberal Democrats, income tax is the most progressive of taxes. There is also a deep dislike of Council Tax. That is why Lib Dem policy has been to "Axe the [Council] Tax" – almost since it was introduced – and replace it with a Local Income Tax (LIT). ALTER has tried and failed over the years to overturn this.

Like other 'land taxers', ALTER members almost unanimously oppose LIT. However even Vince Cable has come to accept that the Party has a different view and our tactics have been to develop proposals for LVT that take account of LIT. Vince often reminds people: "Ability to pay applies to wealth accumulated as well as to earnings."

Following the Tax Commission and two lively debates in Party Conferences (2006 and 2007), Lib Dem policy on land value taxation (LVT) is as follows:-

- Business rates to be reformed onto a site-value-only basis (Site Value Rating) and largely re-localised, within one Parliament;
- Site Value Rating to be levied on second homes and development permitted housing land, until residential occupation.
- LVT more generally – including on domestic property – "longer term".

We also have an aspiration to raise the income tax threshold to the level of national minimum wage (NMW) and have just committed to raising it to £10,000. Among our wider policy aspirations are increased supply of affordable housing, sustainable land use and massive investment in transport and other public infrastructure – all currently unfunded.

Further proposals, which were presented by ALTER to – but not discussed by - the Tax Commission now have the full endorsement of Liberal Youth:

1. When replacing Council Tax with LIT, **retain a national domestic property tax**. Re-introduce 'Schedule A' income tax (imputed rent 'earnings' on owner-occupied property), exempting all rent-payers. An additional 'homestead' allowance would be given to partially offset the burden on those owning modest homes by local standards – as used to calculate housing rent now. Pensioners would be allowed to defer net payments until death/sale/re-mortgage.
2. Remove the risk of a house price hike following the removal of Council Tax by ensuring yields from revived Schedule A balance that from Council Tax now (£21bn). The basic rate threshold to be raised correspondingly, taking millions of low earners out of income tax.
3. While registers of land ownership and value are being completed, require occupiers (a) to pay property taxes (recoverable by deduction from rent) and (b) to self-assess site values, with local authorities given power to acquire sites at the owner's valuation if thought too low.
4. When the first national land valuation is completed, continue a 'rolling revaluation' to ensure the tax base remains a fair reflection of the land market and captures the impacts of all infrastructure investments. Convert '1' above to conform with non-domestic SVR.
5. Phase out Stamp Duty, Section 106 (Developers Contributions), Inheritance Tax and Capital Gains Tax (on 'real property') over time, replacing them with a higher LVT, captured through income tax and corporation tax systems.

Liberalism is about ensuring a fairer, more equal – but enterprising - society. Ever since Liberals were thwarted from taxing land values to achieve such a society 100 years ago, taxing work and productive profits has served only to keep people poor. Such superficially "fair" taxation does not pay for welfare so much as create what James Robertson calls a 'dependency culture'. A century on from the "People's Budget", a properly progressive Land Value Tax still remains "the change we need".

¹ This is an edited of Tony Vickers' (ALTER Chair) offering to the "Ideas Factory" of the Social Liberal Forum, see <http://socialliberal.net/2009/04/05/land-value-tax-now/>