

Research and Library Services



Northern Ireland Assembly

Queries raised at Committee for Finance and Personnel: 20/06/07 LONG-TERM ALTERNATIVES TO DOMESTIC RATES

- 1. Re: land taxation - international experience of protecting environmentally important land**
 - The key objectives of land tax are: (i) to encourage the expeditious development of sites, where planning permission has been granted or is a realistic proposition; and (ii) where planning permission is less likely to be granted, or is at least uncertain, land tax may discourage the long-term retention of land by a developer with purely speculative intention;
 - The main impediment to development would continue to be planning permission; whilst a move away from *property* tax to *land* tax may serve to expedite the development of sites, or deter speculative 'land banking' this would only apply where permission has been, or has the potential of being, granted;
 - It may not therefore be appropriate for land, considered to be of environmental significance or protected from development, to attract this type of taxation;
 - Important sites might therefore continue to be protected by planning regulations and/or exemption from land-tax liability;
 - Campaigners for land value tax suggest that conservation areas / green sites might, in fact, be *protected* under land taxation; they argue that more efficient use of urban land could reduce pressure on environmentally important sites¹ (refer Annex 1);
 - No international evidence has been found of specific practices being enforced to protect conservation areas / green sites.
- 2. Re: land taxation - legislative Requirements**
 - Annex 2 outlines the Terms of Reference of the 2007 Executive Review of Long Term Alternatives to Domestic Rates
 - These terms indicate that land taxation would probably require primary legislation
- 3. Cost of replacing council tax with income tax (7.7p on basic rate) – source?**
 - This information was taken from the Lyons Inquiry, Chapter 7 "Household taxation and local charges", p. 266, March 2007;
- 4. Similar cost statistic (refer point 3.) for other options**
 - Lyons did not provide comparative figures for other tax alternativesⁱⁱ.
 - It has proven difficult to obtain recent cost per head statistics for the alternative options, however Annex 3 provides (outdated) figures for comparative purposes.

ANNEX 1

<http://www.landvaluetax.org/fplannng.htm>

8 URBAN AND RURAL CONSERVATION

8.1 LVT would be of value in assisting conservation, both in urban and in rural areas. This may be seen by considering how LVT would operate in relation to Conservation Areas. Local planning authorities have a statutory duty to identify and designate as Conservation Areas those locations which it is considered should be preserved and enhanced. Within Conservation Areas, consent is required for demolition, and planning applications for new development are submitted to specialist advisory committees.

8.2 Unfortunately, legislation has had only limited success in preventing the destruction of historic or beautiful areas, and the erection of harmful developments. This has happened for a number of reasons. In some cases, owners of listed buildings have neglected them to the point where demolition has become the only option, and have then exerted pressure on local authorities for consent to redevelop and intensify the use of their sites. In other cases, pressures for relaxing conservation provisions have built up because land values were approaching a peak in the boom-slump cycle.

8.3 LVT would increase the protection given to Conservation Areas, because it would reduce the pressure for development within them. Valuations would reflect the advantages and restrictions of Conservation Area status, and because the tax would be payable regardless of whether the building was in use or not, the neglect of listed buildings mentioned in the previous paragraph would become uneconomic.

8.4 In rural areas, the designation of Sites of Special Scientific Interest (SSSIs) and Ancient Monuments, such as prehistoric burial sites, and the operation of Tree Preservation Orders, produce effects analogous to those applying in Conservation Areas. Designation restricts what can be done with the land, and therefore tends to hold down land values. A system of LVT would therefore automatically compensate for any economic disadvantages from having to protect particular trees, or wildlife habitats, or sites of archaeological importance; with LVT at a sufficiently high rate, owners would have no incentive to overturn the protected status of their land.

ANNEX 2

2007 EXECUTIVE REVIEW OF DOMESTIC RATING REFORM

TERMS OF REFERENCE

21. The second strand of the review will examine possible **longer term options** for more fundamental change, all of which would require new primary legislation and in some cases (eg income tax and sales tax) a change to the 1998 Act.

22. Such options may include but not be confined to:
 - Banding of house values (a Council Tax type system)
 - local income tax
 - income tax varying powers (as per Scotland)
 - local sales tax
 - poll tax

 - tourist tax (as recommended in the Lyons Report)
 - road charging
 - green taxes (as recommended in the Lyons Report)
 - land value taxation
 - derelict land taxation (as recommended in the Lyons Report)

ANNEX 3

The 1981 Green Paper calculated the rates of income tax, sales tax and polls tax, to the nearest $\frac{1}{2}$ p, $\frac{1}{2}$ per cent and £1 per head, respectively, per annum. For 1981-82, the rates at which the taxes would have had to be levied to approach revenue neutrality wereⁱⁱⁱ:

| | Wales | Scotland | London & SE | GB(ave) |
|------------------|-------------------|-------------------|-------------|-----------|
| Local income tax | 4 $\frac{1}{2}$ p | 5 $\frac{1}{2}$ p | 5 p | 5p |
| Local sales tax | 5 $\frac{1}{2}$ % | 7% | 7% | 7% |
| Poll tax | £77 p.a. | £117 p.a. | £118 p.a. | £120 p.a. |

ⁱ http://www.fig.net/pub/athens/papers/ts27/TS27_5_McGill_Plimmer.pdf

ⁱⁱ The Inquiry focussed on property and income tax options – other alternatives were not explored to the same extent

ⁱⁱⁱ 1981 Green Paper, “Alternatives to Domestic Rates”, p.73