Land Value Taxation:
Betterment Taxation in England and the Potential for Change

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Key words: Land Taxation, Betterment, Valuation Methodology.

SUMMARY

Britain has a long and unsatisfactory history of attempts at taxing the value of land which is created by the community, called 'betterment'. This paper briefly documents the history of such attempts and the apparent reasons for the failure. The paper also considers the moral justification for such a tax and discuss the prospect of using a land value taxation (LVT) as a device for recouping 'betterment' and which is now being considered as a potential replacement for the existing systems of property taxation.

The paper also previews the updating of two earlier (1963 and 1973) studies into the assessment of land values for LVT in the town of Whitstable in Kent, and discuss the methodology involved in the process and its potential implication for shifts in tax liability, tax burden, as well as issues for current planning and development regimes.

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1. INTRODUCTION

There is growing interest in the UK in Land Value Taxation (LVT) (also known as Site Value Rating (SVR)), most prominently in its potential as a device for paying for the costs of developing and improving transport infrastructure in London. However, LVT is, more fundamentally, a tax on the value of land and, as such, can be viewed as a tax on betterment created by the community. It has been argued that when the community creates such 'betterment', (i.e. added value to the land which is not created by the landowner), should be paid back in some way to the community. It can then be used as a financial source to pay for community-based projects including transport, environment and improved resources.

However, the UK has a notoriously unsuccessful record at ensuring that such betterment value is brought back to the community and this is outlined later in the paper.

What has recently changed is the need to ensure that all effort is made to secure the effective and sustainable development of urban areas in order to prevent both urban decay and encroachment into the countryside of urban development. Together with the underlying theory of Land Value Taxation, the availability of evidence from other countries of how successful Land Value Taxation can be in encouraging regeneration has provided the stimulus for high level discussions to take place about introducing Land Value Taxation in the UK.

This paper discusses:

1. the history of betterment taxation in the UK and why it has failed;
2. the moral justification for a land value tax and the prospect of replacing the existing systems of landed property taxation; and
3. a research project which will undertake an update of two earlier (1963 and 1973) studies into the assessment of land values for LVT, the methodology involved and its potential implications for shifts in tax liability, tax burden as well as issues for current planning and development regimes.

2. HISTORY OF BETTERMENT TAXATION IN THE UK.

2.1 Betterment Defined

Betterment is generally recognised in the UK as the increase in value of land which results from actions other than those of the land owner i.e. the increase in land which is created by the community and which can be positive e.g. in the grant of planning permission or the provision of infrastructure and other environmental benefits, or negative e.g. in the imposition of development restrictions on adjoining land. Betterment normally excludes any value achieved through the effort and expenditure of the owner e.g. through the construction of buildings or other improvements on the land which increase the value of the land. Thus, betterment is additional value attaching to land which can be realised on sale or on the grant of a lease, to the extent that the market reflects such advantage. However, as a value which is created by the community, it has been argued that such value belongs to the community and not to the land owner.

For the purposes of returning betterment to the community which, it is alleged, created it, it is important that the definition, having excluded the added value created (and paid for) by the owner, does not seek to identify the cause of the added value. It is relatively easy to ascertain the difference in the open market value (including its development value) of an interest in land and its existing use value. It is more complex and much harder to prove the source(s) of such increases and to apportion any increases between two or more sources of value increases. Thus, betterment can be created, not only by the actions of central or local government, but equally by organisations, such a QUANGOS (Quasi Autonomous Non-governmental Organisations) e.g. providers of public health facilities and also by individuals and companies e.g. providers of public transport services, retailers and neighbours.It can be argued that recovering such value to the community (and, of course, ensuring that the community, through the actions of central, regional and local authorities, spends this income by continuing to improve the local facilities and environment) is a reasonable and equitable response to the problem.

As will be seen, in the historical attempts to tax betterment in the UK during the 20th century, no attempt was made to distinguish the sources of the added value (having excluded any value attached to the existing use or costs incurred by the owner). Thus, for all practical purposes, betterment can be defined as:

> the increase in value of land which results from actions other than those of the land owner i.e. the increase in land which is created by the community and which can be positive e.g. in the grant of planning permission or the provision of infrastructure and other environmental benefits, or negative e.g. in the imposition of development restrictions on adjoining land.

To the extent that the moral argument for the taxation of betterment has been accepted by various political parties over the years, it has been the subject of a number of attempts at taxation in the UK. Thus, the imposition and repeal of betterment legislation can be seen as a reflection of political ideals. However, the history of attempts to recoup betterment during the 20th century demonstrates a level of practical difficulty which is a significant in the understanding of how the British institutions, relevant industries and the public in general perceive a tax on betterment.

2.2 Existing forms of Betterment Tax in the UK

Currently the taxation of betterment in the UK is selective both in terms of when it occurs and whom it affects. Indeed, they are generally not recognised as such, being present as or subsumed within other kinds of statutory roles: They are:

- set off – within the provisions of compulsory purchase (eminent domain) (for example, section 7, Land Compensation Act 1961), if a land owner has a claim for compensation against an authority but also retains land which increases in value, the amount of compensation is set off against the increase in value in the land retained, up to the level of that compensation. Set off is limited by (i) the fact that the owner has a claim for compensation (owners from whom no land in taken will not have to pay back any increases in the value of their land, unless other provisions apply); and (ii) the amount of compensation claimed (the amount set off cannot exceed the claim for compensation, although the compensation claim can be wiped out by the level of increase in the value of other land in the same ownership);

- capital gains tax – the provisions of the UK's capital gains tax legislation (Capital Gains Tax Act 1965, as amended) requires a taxpayer to account for up to 40% (depending on the level of taxation appropriate to that individual) on any 'profit' realised on the sale of an asset including landed property. Exclusions to this include the sale of the individual's principal private residence and an annual exemption of around £5,500. In addition, the taxable amount is also reduced by the level of inflation since 1982. To the extent that the sale price of land includes any betterment value, 40% of that value is returned to the Treasury;

- rates and council tax – the imposition of an annual charge payable to the local authority on all taxable units (called hereditaments) in the UK can be construed as a tax on betterment to the extent that betterment is reflected in the net annual rental value of non-domestic hereditaments (as at 1 April 1998) and domestic hereditaments (as at 1 April 1991). However, the net annual value specifically excludes any development value and taxable units do not include agricultural land and buildings, vacant plots, and certain unoccupied premises. It may also be significant that the tax liability falls on the occupier of the hereditament.

Thus, with the exception of the above, any additional value which the market creates belongs to the landowner; but there is no absolute right to planning permission to develop land (and therefore no right to compensation when planning permission is refused, implying that the land owner has no right to the development value in the land which the market recognises).

2.3 Early UK Attempts at Taxation of Betterment

According to Davies (1984: 265-7) early attempts to claw back increases in value created by the community were, as follows:

- in 1427, commissioners could impose a levy based on increased land values resulting from flood defence works;
- in the 17th century, levy imposed on increased land values resulting from city redevelopment in London following the Great Fire in 1666;
- in the 1890s, the London County Council sought to claw back money spent on public works using a direct levy or "improvement charge", "set off" and also "recoupment" (refer below).

Such early attempts to recover the increases in the value of land created by the actions of pubic authorities appear to have been both localised and specific, in that the only properties (or owners) taxed were those where demonstrable benefit could be shown to have accrued as a result of specific works undertaken and normally the amount of tax was specifically related to the amount of increase generated by the public works. No attempt to tax increases in value as the result of general improvements seems to have occurred until town and country planning legislation was introduced in the UK. Thus, the Town and Country Planning Act 1932

2.4 National attempts to recover Betterment since 1940

2.4.1 The Uthwatt Report 1942

The Uthwatt Report (HMSO, 1942) considered the issue of betterment in the light of the proposal to introduce planning permission across the UK. The report recognised the logic that, if the state has the right to grant permission to an owner to develop land, then all development rights must reside with the government. The report, therefore, proposed that, alongside the need for landowners to apply for planning permission, development rights of all undeveloped land would be nationalised, with the government paying compensation to all those who could demonstrate that they were losing potential development value by such nationalisation. Such a change meant that all land would, in future, change hands at existing use value. Along side this, all developed land would be valued (on a capital basis) and any increases would be taxed – such tax being paid by the occupier and levied on all increases in land values regardless of their source (i.e. including inflation).

2.4.2 Town & Country Planning Act, 1947

The Town and Country Planning Act 1947 implemented only some of the recommendations of the Uthwatt report (although, according to Davies (1984: 271) ". . . the underlying spirit was no doubt very similar." It assumed landowner had rights only to existing use value, but that the state owned all development rights. Alongside this, it introduced planning control of future land development; and the imposition of a development charge on prospective development value if and when realised.A global fund of £300 million was established to pay compensation and claims for loss of development value were submitted to Central Land Board and due to be paid in 1953.

However, in 1951 on a change of government, development charges abolished; although the need to apply for planning permission to develop land was retained. Rights to compensation on a refusal of planning permission existed only for those whose loss had been recognised as a result of a claim submitted to the Central Land Board (and therefore a claim for loss in 1947). Any other loss in development value on the refusal of planning permission attracted no compensation at all. The right even for those with established claims for loss of development value was abolished in 1997. In any event, the amount of compensation payable was the amount of the 1947 loss, plus one seventh.

It is generally recognised that retaining planning control but abandoning betterment levy is illogical. When considered alongside the law for compensation following eminent domain (compulsory acquisition), there is the anomalous position of:

- one owner who can be granted planning permission and keep development value which accrues (except to the extent that Capital Gains Tax will apply if the owner disposes of the land in its improved state);
- another who can be denied planning permission and has no rights to compensation for the loss of development value; and
- the state which is required to pay compensation on injurious affection (depreciation in the value of landed property as a result of eminent domain and resulting public works) but cannot claw back the betterment it creates, (except to the extent that set-off provisions apply).

2.4.3 Land Commission 1967

The Land Commission Act introduced a betterment levy at 40%, initially, on all sales, grants of leases and provision was made for taxing of material development of land. Once again, on a change of government, it was abolished in 1970.

2.4.4 Development Land Tax and Community Land Act.

The policy underlying these two pieces of legislation was outlined in “Land” 1974 White Paper, which proposed a process by which all land would be sold to the state at existing use value and sold on at a value which reflects development potential. Thus, all development value would accrue to the state. More specifically, it was proposed that all “land” would be purchased by the local authority in England, at existing use value, and sold or leased to developers are a market price which reflected the full development potential of the site, thereby allowing the local authority to keep all of the development value to be spent on purchasing more land and improvements within the community. The ultimate intention was that all land would exchange at existing use value and, in the meantime, while local authorities in England built up their expertise and land bank, Development Land Tax (DLT) was introduced in 1976. DLT was levied on the realised development value deemed to have accrued on a disposal of an interest in land. DLT was levied initially at 60%, but expected to rise eventually to 100%, until such time as the Community Land Act became fully functioning.

According to Plimmer, *et al.,* (2002: 7) concerns were expressed by critics at the time in respect of the complexity of the Community Land Act scheme and the nature of the demands it was placing on local authorities (e.g. Eyres 1975; Howes 1976, Blake, 1977). In 1978, a working party of The Royal Institution of Chartered Surveyors examined the workings of the Community Land Act (Anon, 1978) and found that there was little evidence of local authorities using the Act to achieve "positive planning". However, according to Grant (1991, 76, cited by Plimmer, *et al.,* 2002: 6-7) there were two obstacles to the failure of the Community Land Act. Firstly, the transitional scheme became a victim of the local government capital spending cuts of the late 1970s and, secondly, under these pressures "*the Government lost confidence in its own scheme*" (ibid.). Prompted by the Treasury, the Department of the Environment not only continued to maintain detailed spending controls, but also attempted to ensure that the scheme was 'finance-led' rather than 'planning-led'. "*Thus, the whole objective in allowing local authorities to intervene so dramatically in the land market – to allow them rather than the market to determine the location and pace of development – was compromised from the start.*" (Grant, ibid.; Hall, 1984). According to Prest (1981, at p. 99, cited by Plimmer, *et al.,* 2002: 6-7), the recession in the building industry after1976 was a contributory factor to the failure of the Community Land Act provisions. However, *"Local authorities did very little to exercise the powers entrusted to them and in England (Wales was different) had only made 150 acres (60.7 hectares) available for development in the first 2½ years of operation."*

2.5 Review

There is evidence to show that one of the problems with all of these nation-wide provisions to tax betterment included the reluctance of landowners to release land for development and become liable to "tax". The taxing of betterment was clearly seen as a political issue which would go away on the change of government. This did substantial damage to the provision of both domestic and non-domestic accommodation and to ancillary industries. The complexity of each piece of legislation was legendary in an environment where, because of the unwillingness of land owners to subject themselves to additional tax, there was little relevant comparable sales evidence on which to base valuations. The Community Land Act was also blighted by the failure of staff local authorities in England to undertake their appointed role – part of this was due to a shortage of staff and part of it was due to inappropriate abilities.

3. JUSTIFICATION OF LAND VALUE TAX AND THE PROSPECT FOR REPLACING THE EXISTING SYSTEMS OF LANDED PROPERTY TAXATION

3.1 The Moral Justification

The community creates betterment by its public actions, yet does not derive direct benefit from this added value. There is a philosophical or political argument to support the general taxing of increased land values which are created by the community.

The growth in value … is due to no expenditure of capital or thought on the part of the ground owner, but entirely owning to the energy and enterprise of the community … It is undoubtedly one of the worst evils of our present system of land tenure that instead of reaping the benefit of the common endeavour of its citizens, a community has always to pay a heavy penalty to its ground landlords for putting up the value of their land." Lloyd George, 1909.

Under the moral argument, landowners have no right to added land values which are not paid for by the landowner, which are paid for and achieved by community efforts; and the taxation of which can encourage improved community services and therefore property values.

Such a betterment tax could occur in two situations:

- specifically, where a public works increase land values in a limited and defined area - such increased values can be identified, quantified and a levy specifically imposed; and

- generally, where all land values in excess of existing use value (or in excess of existing use value plus a proportion of development value) are taxed on an annual basis or which are forfeited on disposal.

3.2 The Prospects for Replacing Existing Property Taxes

The prospects for imposing a general system to tax all land values in excess of existing use has never been stronger, with government now prepared to support research into this area (Vickers, 2002). In contrast to the 1960s and 1970s, when betterment taxes were in place, there is a greater recognition of the need to fund local environmental improvement e.g. through the Business Improvement Districts (BIDS) (Montgomery, 2002). Much publicity has been given to the potential for using betterment taxation to support the provision of transport infrastructure in London and Liverpool City Council is petitioning the British government to take part in a pilot study which would introduce LVT in its area (Vickers, 2002. Significantly, LVT is seen as a device for securing sustainable development in the UK, because land would be taxed at its ”highest and best use” as reflected by the development plan. Land with development potential which is left undeveloped and idle would be taxed as if fully developed in accordance with the development plan, thus encouraging the owner-taxpayer to achieve the development for which taxation is demanded.

This is considered to be huge impetus to the potential regeneration of urban areas, although there are substantial issues which critics raise in objection. One of these is the ability to demonstrate the values of land alone, when so little landed property sold is undeveloped and when the methodologies for deriving site value from the sale of an improved property (land and buildings) are so unreliable. There are huge issues surrounding the shift in tax liability from occupiers to owners. With the exception of domestic property, much property in the UK is leased, and there is likely to be a small number of LVT taxpayers compared to the *status quo*. Similarly, there are questions surrounding the rigour and reliability of the current plans in use in England on which the ”highest and best” value would be based. Thus, many of the criticisms surrounding LVT in England are aimed at the practicalities of its implementation, rather than its principles.

4. THE RESEARCH PROJECT

The research project is an update of the 1963 and 1973 land value taxation/site value rating exercises undertaken at Whitstable, by Hector Wilks.

4.1 The 1963 an 1973 Whitstable Studies

On 1 April 1963 and again on 1 April 1973, new valuation lists took effect in England. These were produced by the Valuation Office (of the Department of Inland Revenue) based on the annual rental value of each hereditament (taxable unit) in the UK. In each of these years, an experienced and reputable rating surveyor (M. Hector Wilks) undertook a study of the small coastal town of Whitstable in Kent, in order to compare the results of the orthodox list with the values produced under a site value rating system. Each of these studies was supported by a professional organisation – the 1963 study by the Rating and Valuation Association, now the Institute of Revenues, Rating and Valuation, and the 1973 study by the Land Institute. The conclusions of the studies relate largely to the practical outcomes of the surveys – the comparison between the values produced by in the orthodox lists and LVT, the process adopted and the practicalities of undertaking the exercise (staffing, availability of data etc.).

The object of the study was to create a valuation list based on site value which could be compared with the official valuation list, produced by the District Valuer/Valuation Officer of the Board of Inland Revenue (now the Valuation Office Agency) as a ”comprehensive test” in advance of the introduction of a Land Value Tax (RVA, 1964: vii citing the Simes Report, 1952) . The sense of urgency underlying both the 1963 and 1973 Whitstable studies was driven by the need to produce values based on site values before the original official valuation list were altered to reflect subsequent changes in either property type or shifts in value.

For the 1963 study, Wilks used a large volunteer work force which (Wilks, 1973:251) “changed week by week [and] was wholly uneconomic and indeed in many ways frustrating for both the volunteers and for those carrying out the exercise” and which caused some delay and additional checking of information. For the 1973 study, Wilks used a small but dedicated workforce, but the survey process of physical inspection, measurement, hand-drawing of maps, manual calculations remained the same – although Wilks acknowledges the benefits of calculators, available for the 1973 study. and the size of the task (13,000 rateable hereditaments), he acknowledges his suprise that the entire town was remeasured in 210 man days, with no records of the changes made between 1963 and 1973.

4.2 Survey Process

In both studies, the definition of “annual site value” was given to Wilks, and while both were different, the variations were minimal. Thus, the annual site value for the 1973 study was, as follows:

> *The annual site-value of a land unit shall be the annual rent which the land comprising that land unit might be expected to realise if demised with vacant possession at April 1, 1973, in the open market by a willing lessor on a perpetually renewable tenure upon the assumption that on April 1, 1973:*
>
> *(i) there were no buildings, erections or works on or under the land unit, except existing roads adopted by a public authority and existing public utility services;*

(ii) there were no encumbrances on the land save those registered under the Land Registration Act 1968 [imaginary];

Both definitions caused Wilks some difficulty, because they had not been previously considered by valuers in general or by any courts. He was thus hampered by a lack of experience and authority in their interpretation. In addition and as a pre-requisite to the studies and in order to implement site value rating in the UK, Wilks assumed that:

a. universal and compulsory registration of property interests, which identified the owner of every parcel of land in the UK, had been implemented; and
b. all transactions in land would be published and available for public scrutiny.

The registration of title was necessary both to identify the land owner and the extent of the physical ownership. Such a system is now in place. The public availability of transactional data in the UK has still not been achieved. Wilks was able to use his local knowledge and his personal contacts within the profession to provide transactional data on which to undertake the valuations.

In accordance with the principles of land taxation, Wilks valued every parcel of land. He commented: "*We were required to place a value on everything. No area of land within the urban district council was to be treated as exempt*" (R&VA, 1964: 6) This is significant because open spaces, the foreshore, churches, and agricultural land and buildings were (and are) exempt from both from the process of valuation and from the liability to pay local taxes. The inclusion of otherwise exempted property allowed the study to demonstrate clearly the effect of any specific exemption from tax liability. Because of the nature of the development plans, which indicate (by colours) only those areas where the local planning authority has a policy to approve particular kinds of development, Wilks adopted existing uses for all other locations (known as 'white land', in the absence of any indication of development policy).

4.3 Valuation Theory

According to the study: "There was a welter of evidence of selling prices of vacant plots of land in the residential areas and this evidence of course was in terms of capital value and not rental value. There was also a wealth of evidence of capital values in the built up areas." (R&VA, 1964: 10) There was, however, a dearth of evidence in the city centre, with evidence of only one transaction of a cleared commercial site. Other city centre evidence came from residential sites which had been acquired by eminent domain (compulsory acquisition) which while not an open market transaction, does provide a proxy capital value. Where market evidence did exist, Wilks' dilemma was how to convert those capital values into rental values. The 1973 study describes the method of converting capital values for the improved property with reference to dwelling houses. Thus, " *the value of the bricks and mortar was "stripped off" from the total sale price" and the building "cubed" by ". . . applying a current price per foot-cube to arrive at a cost of construction, rebate the result by a percentage for age and obsolescence and then to subtract that reduced capital value from the total sale price.*"(Land Institute, 1974: 8)

"Given enough of these, and we had hundreds, major errors could be avoided and a remarkable consistency of result obtained, consistent with the relatively fewer transactions involving bare land." (Land Institute, 1974: 8) The result was a capital value for the land which had to be converted to an annual value *". . . without factual evidence of the relationship between the two."* (Land Institute, 1974: 8) Wilks adopted a flat rate of 6%, commenting that this: *". . . ties in with general commercial practice in March 1973; is capable of being reconciled with ground rents charged on shop and office redevelopments; is well above the limits found on analysing rents for housing land and land available for flats and above all is acceptable within the decision, and the judgements, in Williams (V.O.) v. Cardiff City Council at the Lands Tribunal in 1971 and, with the parties reversed, at the Court of Appeal, 1973"*

4.4 Results of the Study

A major part of the 1964 report is the comparison between the site values and the orthodox values produced by the Valuation Officer, demonstrating the nature and extent of shifts in value and therefore tax liability. In the 1963 study, the Land Value total for the area was £642,250 while the orthodox list showed £702,300.

However, what is more significant is the shift in value, and therefore in liability within the property types. Wilks' 1963 study demonstrates a clear reduction in taxable value for domestic properties, shops, offices, schools and leisure properties. Those who would be worse off under an LVT, are those who occupy or own undeveloped land and land (and buildings) which are currently except property taxes e.g. churches and agricultural property, and so called 'statutory undertakers' (e.g. electricity companies), whose properties are taxed on a statutory formula, rather than a market value basis.

Wilks concluded that: " . . . the valuation of site values is little more than valuation on the town planning, permitted, optimum user." and that therefore ". . . the town planning will, in the final analysis, dictate the amount of rates an owner pays." He adds that "This may, or may not, be true of the present system today, to the same or lesser extent." (R&VA, 1964: 12)

Wilks estimated that the field work involved in valuing sites along is very much less than valuing the site-plus-improvements and that once the necessary information has been gathered, the valuation process is much faster than on the orthodox method. He considered that the difficulties in producing a site value list were ". . . no more complex or intractable than those met and solved under the present orthodox system", with 99% of the sites being valued without difficulty.

His conclusions included:

(i) site value rating is more productive than the orthodox system, based on the Whitstable study;
(ii) the site value rating exercise is less complicated, less cumbersome and therefore, presumably, less expensive to implement than the orthodox system either for the routine or periodic review;

(iii) "Land values are buoyant" (ibid.: 19) Also, there is a gradual fall in the percentage of site value to total value in the less favoured economic areas, thereby encouraging industry, commerce and accompanying residential requirements with comparatively lower tax assessments;

(iv) LVT will provide taxpayers with ". . . a clear indication of the basis and fairness of assessment, uncomplicated because of the complete disregard for buildings on sites", thereby reducing the number of appeals which in turn will save time and therefore money;

(v) there is potential to reduce central government grants by introducing SVR to land not currently within the existing rating system.

Administrative points made with regard to site value rating include:

(i) the reduction in the number of (and therefore the costs of collecting from) taxpayers and the increase in the certainty that such taxpayers can be located;

(ii) new recovery procedures of imposing a registerable lien on the property instead of the use of distress to recover debt; and

(iii) the need to establish new principles regarding complete and partial exemptions from tax liability.

Finally, the Institute recognised that the study of Whitstable itself ". . . is too limited to demonstrate conclusively that site value rating could be applied to the country as a whole. On the other hand it does give ample evidence for believing that the Government or other bodies interested in local government finance should make available funds to undertake more extensive exercises further to investigate the merits and practicability of site value rating."

4.5 Impact of the Studies

It is clear from the professional press that the studies and their conclusions were not well received, although a clear, logical argument for that outcome is not evident. Certainly, it seems that Site Value Rating (or LVT) became one of several textbook solutions for an intractable problem, worthy only of academic debate, without practical potential.

5. CURRENT RESEARCH STUDY

Funding has been secured to undertake an update of the Whitstable studies, using modern technologies, including a Geographic Information System (GIS) and Computer Assisted Mass Appraisal (CAMA) techniques. Much has changes since the 1960s and 1970s, include a separate system for taxing domestic hereditaments (Council Tax); the almost total coverage by the Land Registry of the UK titles; a shift in the relationship between central government and local municipal authorities in the levying and collection of property taxation; and, while there is still no public register of property sales, much transactional data is available "on-line".

This is the first year of what is designed to be a three year research project and the workplan is devoted to a literature review, information-gathering, familiarisation with relevant soft-ware and liaison with relevant authorities, including the local authority and the sponsors of the original studies. It is clear that, twenty years on, some issues which face the research are the same as those with faced Wilks in his earlier studies, despite the obvious advantages which the use of modern technologies will bring. Despite significant changes in local property taxation, particularly those introduced with effect from 1990 and the Council Tax (introduced in 1993), issues relating to the valuation methodology and the degree to which reliance can be placed upon the current development plan to ascertain ”highest and best” use are similar. Also, the implications of the narrowing of the number of taxpayers by imposing the liability on owners has repurcussions for tax collection, the property market and the investment market. However, these issues will be clearer once the survey of Whitstable has been undertaken. At this stage, two problems of significance which faced Wilks are highlighted.

5.1 Planning Position

It is a fundamental principle of LVT that land should be valued at is ”highest and best” use, in accordance with the appropriate plan application to the locality. Wilks identified a number of permissions granted in contravention of the then current development plan. It must be remembered that existing plans are created under current legislation for purposes which is not required to reflect the needs of a LVT system. The extent to which current plans require amendment or the principles of the planning regime should be amended to reflect the needs of LVT will be investigated.

5.2 Valuation Methodology

Sceptical valuers have long criticized the practicalities of land value taxation because of the inability to provide an adequate number of reliable open market transactions of land available for the wide range of uses. In the UK, most property transactions comprise land and buildings and the methodologies used by valuers to split the value between land and the building components are artificial, based on illogical assumptions regarding the relationship of cost to value and the supposition that the value of the whole equates to the sum of the cost/value of the parts (i.e. knowing the sale price of a developed plot of land plus buildings, removing the cost of the providing the buildings leaves the value of the plot of land). There is little evidence to support this theory, other than the traditional valuation methodology which has been criticized in the UK’s Lands Tribunal for “the artificiality of the approach” (*Downing, Newnham, Churchill & Kings College, Cambridge v. City of Cambridge and Allsop (VO)* (1968) p. 388) and is well recognized within UK land taxation legislation as “a poor best” (ibid.). As a means of achieving an end, it has been made to work, but for valuers who are required to stand up in a court of law of justify the quality of their opinion of value based on this “poor best”, it is an entirely unsatisfactory approach.

Wilks comments on the validity of using the market transactions in order to assess a tax base under a significantly different tax regime, which could have been criticised for a number of reasons. “*Whether or not the evidence was wholly reliable was a matter of theory only; for, as from the practical point of view, I had no other evidence, so I had to use it.*” (R&VA, 1964: 6) and it may be that, given appropriate legislation, valuers will be required to deal with (what they may regard as) unsatisfactory market evidence and the use of ”poor best” methodology in order to achieve a taxbase – the banding principles adopted in the current Council Tax bear evidence to the extent to which taxable values can be based on an inadequate valuation process (refer, for example, Plimmer *et al.* 1999). What must surely be of paramount importance, in addition to the technicalities of the tax regime, is the transparency of the basis on which the taxable value is fixed, the equity of the imposition of the tax and the fairness, as perceived by the taxpayers. This is a major part of the development of this research.

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