Barker raises hackles with land tax proposal

Piers Wehner 20 March 2004 12:45

Budget special • Housebuilders face new imposition • Victoria developers remain confident

The property industry attacked government plans for a tax on increases in land value as "simply a means of increasing tax revenues".

The land tax was given a new wind this week following Gordon Brown's announcement in the Budget that government would consult on the policy, which was included in the Barker report on housing supply.

But the industry reacted angrily to what could be "a poorly thought through and damaging imposition" on housebuilders.

Brown said: "While the business rate sets a tax on developed properties, the Barker report states that there is none on the unearned increment in land values when undeveloped land is granted planning consent."

The Chancellor said the ODPM would be launching a "wide consultation".

The 159-page report, written by Kate Barker and commissioned by the Treasury, stated that a tax on housebuilders at the point when consent was granted would raise revenues for building sustainable communities but not inhibit housing supply.

But GVA Grimley research associate Jim Whelan said: "This is a development gain tax. If adopted, this recommendation may result in the perverse situation of a housing supply study recommending a measure that would actually reduce housing supply."

Natalie Elphicke of law firm Denton Wilde Sapte said: "A tax on planning permission was last introduced as development land tax in 1947 and abolished in 1953 because it was a failure and slowed development." Judith Salomon, head of property at London First, said it was "amazing that the government thinks that it will be any different this time".

The RICS said the proposed planning gain supplement involved enormous practical problems.

Head of policy Michael Chambers said: "Why isn't this a more general tax, rather than one just penalising residential development?" "There is also bound to be confusion over the way this relates to the introduction of planning tariffs, and over whether the applicant pays at outline or detailed consent. It needs lots of thinking through."

But others were less cautious. TCPA director Gideon Amos said the case for taxing land value increases "is now unanswerable".

He added: "We need to raise the money to ensure sustainable high-quality development and to help subsidise the cost of homes for people on lower incomes. The exceptional rise in land values in the South East is a fair source, and could make a valuable contribution."

Barker's proposals

- A land tax levied at the point of planning permission
- New special-purpose vehicles to drive forward delivery
- Local authorities to allocate up to 40% more land for housing
- Local authorities to keep some or all council tax receipts from new development for a period
- Set up a regional planning executive to advise on market affordability targets, housing numbers and growth areas
- Local authorities to consider level of competition in market when granting permissions

- Scale back section 106 agreements to cover just social housing and the direct impact of development
- Infrastructure providers should be involved in developing local plans

Value hunters

Ian Marcus, IPF: "The government has been very open and is promising debate on PIFs"

Francis Salway, Landsec: "PIFs look positive for 2005 implementation"

Robin Priest, **Mapeley**: "We expect the impact on the portfolio from civil service cuts to be neutral"

Jeremy Titchen, Grosvenor: vacated Victoria space will be refurbished and adapted

Liz Pearce, BPF: "We are gravely disappointed about stamp duty on LPs"

Paul McNamara, Prudential: "Derivatives will help us with tactical asset allocation"