

INTERIM POLICY NOTE ON LAND

There are three areas of land policy that require consideration. First the attitude of the next Conservative Government to the Community Land Act (1975), second the Conservative approach to Land Taxation and the problem of betterment and third our policy on land use.

To a great extent the answer to the first question is simple. We are firmly pledged to repeal the Community Land Act as soon as practicable after we return to office. There are two main reasons for this. First we are totally opposed to the notion that councils should eventually be forced to buy up land before any significant development can take place. Second the net cost of the Land Act (after taking account of proceeds from land disposals) will be over £300 million over the next 4 years. The resolution of the practical problems associated with repeal will largely depend on the circumstances obtaining when we take office. Such problems include what to do about community land accounts which are in deficit and whether to allow those whose land is compulsorily purchased under Land Act procedures the right to buy it back (provided that development has not started on it).

We accept the need, strongly argued by those in the property field and the associated professions, for an agreed approach to the land problem rather than a dictated approach. Although we cannot accept the continuation of the Land Act on the Statute Book, we do see the need for some form of taxation on the gains arising out of the granting of planning permission. There is no enthusiasm in the industry for a return to the first lettings charge embodied in the Development Gains Tax which was originally proposed in December 1973. The concept of 'deemed disposals' contained in the Development Land Tax due to operate from August 1st of this year seems a better approach even though this involves taxation before profits are made. This is provided that the liability for tax can be rolled over a period of years as will be allowed for industrial development. We would wish to see this concession extended to commercial development. The major defect in the proposed tax is its rate. All gains above £10,000 are taxable; the first £150,000 after that at 66½ per cent until April 1st 1979 and gains above that level at 80 per cent. The eventual aim is to confiscate all chargeable gains, an effective rate of 100 per cent. We have had strong representations from the housebuilders that the present proposed rate of tax, despite the temporary concession for chargeable

gains up to £150,000, will lead to a severe land famine in two years time. Landowners will not sell much land voluntarily and local authorities have neither staff nor the expertise (even if this were desirable) to service the private sector with land. We believe that a rate of tax between 52 per cent and 60 per cent is about right although this will depend to some extent on the circumstances when we take office. Particularly worrying is the effect such a tax may have on charities which are given some protection and pension funds which are not. We believe that both should be exempted. The final problem relating to the tax is the distribution of the proceeds. The present arrangement is that 40 per cent will go to the Treasury, 30 per cent to the local authority and 30 per cent to a pool for those authorities with high initial deficits. It seems reasonable that local authorities should be recompensed for the cost of infrastructure such as drainage associated with new development. This might be done by agreements with developers to provide the infrastructure in return for parallel reductions in the tax payable. Local authorities will be able to buy land for their own development net of tax by assessing the tax that would have been payable by the developer and deducting it from the purchase price. It would seem preferable to achieve the same effect by ensuring that the Treasury allots the councils the relevant sums and assesses tax liability itself.

The Planning Policy Group is not yet in a position to make final recommendations to the Shadow Cabinet on Land Use. We do believe strongly that planning delays act significantly to push up the price of developments and that it is of great importance that they should be cut down as far as possible. In this connection we shall be studying carefully the detailed recommendations of George Dobry QC in his report on 'Development Control'.